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## By the Author of This Volume

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### FUNDAMENTALS OF BUSINESS ETHICS

An orderly but undogmatic presentation of the moral standards of present-day business life.

### A PLAN FOR SELF-MANAGEMENT

A Ronograph (No. 34). A concise discussion of the problem of employing one's own time and powers most effectively. Numerous suggestions, forms, and exercises, for development of knowledge, judgment, decision, etc.

THE RONALD PRESS COMPANY  
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# THE FUNDAMENTALS OF BUSINESS ETHICS

BY  
EVERETT W. LORD

DEAN OF THE COLLEGE OF BUSINESS ADMINISTRATION,  
BOSTON UNIVERSITY



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## PREFACE

"True Business represents the mutual organized effort of society to minister to the economic requirements of civilization. It rests squarely on the law of service. It has for its main reliance truth and faith and justice. In its larger sense it is one of the great contributing forces to the moral and spiritual advancement of the race."

In these words President Coolidge has stated the attitude of modern business—an attitude which is becoming increasingly evident, especially in so-called "big business."

*Trans. Hald. 9/76*  
In the past fifteen years, during which the author has been speaking, more or less frequently, to business men's clubs and similar associations, on various phases of commerce and industry, the trend of subjects desired has distinctly changed. Fifteen years ago such clubs asked for talks on sales psychology, on business organization, on scientific management. The interest was obviously centered in money making, and he who could most surely suggest ways of increasing profit was sure of the warmest welcome. Then came a wave of interest in employment or personnel management with various types of plans for employee participation in management and for profit sharing. Today the demand is entirely different: The clubs ask their luncheon speakers to discuss codes of ethics, principles of business conduct, plans for arbitration and maintenance of industrial peace.

It is not that business men are no longer interested in making money. No one denies that business must be conducted at and for a profit, or it ceases to exist: but business men are realizing that "The fear of the Lord is the beginning of wisdom," and they want advice about the wisdom



and the justice of commercial customs and transactions. They are beginning to realize, also, that there is a dignity about commerce which some of them, at least, had hardly suspected, and they are eager to advance their standing in a professional way.

In our schools of business administration a similar trend is noticeable. The school authorities, trustees and faculties, have no desire to train a generation of unscrupulous traders; they recognize that the science of commerce may be utilized as viciously by a rogue as may the science of chemistry by an anarchist. So while their courses of study include, and rightly include, the technical methods of buying and selling and accounting, they are seeking to impress upon their students the principles of honor, truth and universal service which form the firm basis of the business world today.

These principles may not be as readily reduced to rules as are those of banking and insurance, but they need not altogether lack expression; and it is the hope of the author that their presentation, in this modest volume, may serve to make them a little more definite, a little more clearly the guiding star of the business man who seeks to serve his fellows.

EVERETT W. LORD

Boston, Massachusetts,

May 25, 1926

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**THE FUNDAMENTALS OF  
BUSINESS ETHICS**

## BUSINESS IS BUSINESS

"Business is Business," the Old Man said,  
"It's warfare where everything goes,  
Where every act that pays is fair  
And all whom you meet are foes,  
It's a battle of wits, a heartless rush—  
It's a tearing, wearing fight;  
It's a trick of the strong to win from the weak,  
With never a thought of the right."

And he struggled and schemed and pushed men  
aside  
And he fought to gain his way  
He bartered his soul for the glitter of gold—  
And the scorn of the world was his pay.

"Business is Business," the Young Man said,  
"A game in which all may play;  
Where every move must accord with the rules  
And no one his fellow betray.  
It's wholesome and clean, and full of good-will  
It's an urging, surging game,  
It's a mission to serve in your day and age,  
And a guerdon to honor your name."

And he sought and he bought, and he brought from  
afar,  
And he served with conscience clear;  
And the wealth that he won was more than gold—  
It was honor and love and good cheer.

E. W. L.

## CHAPTER I

### THE MEANING OF ETHICS

**The Struggle for Existence.**—The Constitution of the United States has for one of its purposes, as announced in its Preamble, "promotion of the general welfare." That the government should attempt to promote the general welfare was a new idea, or at least one that had been given slight consideration before that time. Governments had done much to promote the welfare of individuals, of governors and monarchs and even of classes—the aristocracy, or the priesthood or the military—but the "general welfare," the advantage of all people, was commonly disregarded. Yet no other aim of government is so important. We may be justified in considering this "promotion of the general welfare" as the highest attainment in the evolution of human government.

All life is a struggle. In the phrase of the evolutionist, it is a "struggle for existence" in which the fittest survive, the less fit perish. The *fittest*, you must note, is not necessarily the *best*; by no means is it the *strongest* or the *largest*. It is that which is best fitted to environment, to the conditions under which existence is maintained.

The pasture lands and the hayfields of northern Maine are being overrun with a brilliantly colored weed colloquially known as the "devil's paintbrush." Only a few years ago a few specimens of the plant were brought there as a garden flower; the climate and the soil proved congenial and the plant quickly spread to the surrounding fields. Its seeds, borne by every breeze and carried far by autumn winds, in half a dozen seasons had covered many miles and its vig-

orous life had crowded out the native grasses. Useless for cattle food, it is fast making farm land worthless; and as the farmers abandon their fields, the forest advances, retaking the lands from which it was cut away a generation before. In this struggle the worthless weed has proved itself fitter for existence than the herdsgrass and the clover upon which cattle thrive; and the spruce tree and the birch may yet demonstrate their superior fitness to occupy the territory. Not of necessity what is best survives, but what is best adapted.

In Alaska and other northern countries the moose is perhaps the largest and the strongest of wild animals. He is sagacious, too, and brave, and seems to have shown himself perfectly adapted to the wild country in which he lives. Yet, according to recent reports, the moose is yielding and is gradually being driven out, not by a larger or more active animal, but by petty, insignificant rabbits, which in ever increasing numbers are eating the grass on which the moose feeds, leaving to the larger creature the bare land and starvation.

The so-called Nordic race has possessed itself of most of the temperate lands of the earth, conquering aboriginal tribes already in possession and developing a civilization far above that of the former residents of the lands. But in the tropics the black man, with an apparently inferior civilization and fewer resources of all kinds, has not only held his own but has been capable of ousting the whites.

In each case the struggle has been won by the best fitted to the environment.

**The "Invisible Hand" in Society.**—In the field of business, no less than in government and the wide world of nature, there has been constant evolution. There has been progress toward the "general welfare." Like his prototype



of generations past the business man has the function of providing goods for people who otherwise could not obtain them: but unlike his prototype, he has ever in mind the necessity of "promoting the general welfare," not merely adding to his own. The change has been gradual, natural: it has been an evolution of the clearest type, the result of a continual "struggle for existence" and unmistakably a case of the "survival of the fittest," which in this case has, we believe, been equally a survival of the best. It has largely been an unconscious progress, brought about by the universal desire for success. There are few better illustrations of Adam Smith's famous "invisible hand" dictum. Adam Smith, the first of modern economists, noting the tendency of society to improve its condition even though direct effort towards such general improvement might appear to be lacking, said: "In a well organized industrial society, every man is led, as by an invisible hand, to promote the general welfare while working for his own."

**Individualism.**—This is the theory of Individualism, which holds that each individual can do more to advance his personal welfare than any other can do for him: that as society is made up of individuals, the common welfare will be promoted when the individual units are advantaged. The individualist believes in personal freedom with only the restriction that the freedom of one individual must not interfere with the equal freedom of others. He believes in free competition, the right of free contract, in democracy in its widest sense.

A distorted teaching of individualism, distorting also the theory of the "survival of the fittest," would crush the weaker for the benefit of the stronger: would allow one man, through greater ability or opportunity, to deprive his fellows of their opportunity or their profit; but this is the basis of

aristocracy, not of democracy, and has lost the approval of right thinking men. Only as the development of the individual, even though consciously directed for his personal gain, results in promoting the general welfare, can such development be approved. The best field of corn is not the one in which a few stalks overtop all the rest, taking their sustenance and leaving the others stunted and unproductive: it is the field in which all the stalks attain a high standard of development, in which every stalk is producing its own maximum.

**Ethical Gains.**—There have been marvelous advances in general welfare in the century and a half since Adam Smith's day. The social conscience has been aroused; abuses that seem to us intolerable and incredible have disappeared; standards of living have been raised to a level which at that time would have been considered unattainable. Some of these advances have resulted from the philanthropic efforts of great leaders of thought, but by far the greatest have come from the enlightened self-interest of the individual. The industrial revolution was just beginning and the factory system was rapidly displacing the extreme individualism of home labor. Children, multitudes of them not over ten years of age, were employed in mills and mines and factories six or seven days a week and twelve or more hours each day. With less attention paid to their needs than was given to the machines with which they worked they were early victims to accident, disease and immorality. While eventually the state, by legal enactment, put an end to the worst abuses of children, the fact that such labor was not profitable probably was of greatest effect in bringing about a change. When employers discovered that greater profits were made through employment of more mature workers, children were no longer desired in the factories.

The "invisible hand," guiding the entrepreneur to greater efficiency, clearly led to a higher degree of general welfare.

In the days of Adam Smith women were worked in British coal mines in place of beasts of burden; but the introduction of machinery made such labor unprofitable and released the unfortunate women from a degrading and cruel existence.

The law punished debtors unable to meet their obligations with permanent imprisonment, making payment of the debts impossible. It was less the criminal injustice of the practice which caused its discontinuance than the realization of its futility and its results in greater loss. Creditors looking for their own advantage, brought about repeal of the law which had worked injury to so many.

Modern "welfare work" in industry has introduced factory hospitals, playgrounds, rest rooms, libraries, educational courses and similar aids for workers, not primarily because employers have become more philanthropic, but because these things have proved profitable. The "invisible hand" has led in movements which have added enormously to general welfare.

**Evolution of Business Principles.**—In the conduct of business it has become trite to speak of the great change from the old policy of "caveat emptor"—let the buyer beware—to the present-day slogan "the customer is always right," which, by the way, is neither good sense nor sound business, but which reflects an effort to do the right thing. The one-price policy, the insistence on truth in advertising, the money-back guarantee, were first practiced because they added to the merchant's profits. Honesty demonstrated itself the best policy before business made it the foundation on which to build the commercial structure. We should like to believe that we are more conscientious, more truth loving,

more philanthropic than our predecessors, and perhaps we are: but the general acceptance of the higher principles of this era has come as much from man's attempt to improve his personal economic situation as from his desire to ameliorate the condition of others less fortunate than himself.

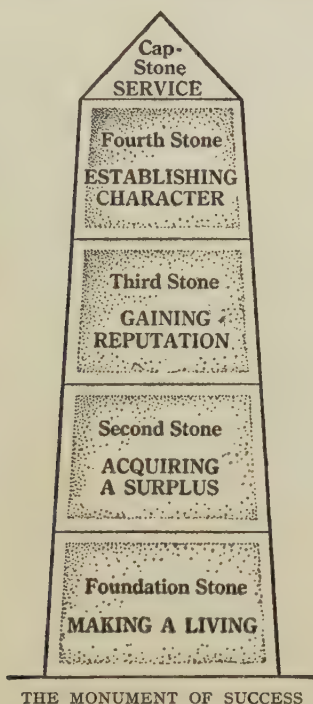
Business is an engrossing occupation: it is made up of exchanges between persons, dealings undertaken with expectation of profit but with the possibility of loss. In the profit resulting from successful mercantile transactions the business man finds his immediate recompense, and he naturally seeks the greatest profit possible.

The modern business man is the result of evolution: the methods he follows are survivals of the vast number of methods tried for the purpose of improving the individual's own condition; yet this in no way detracts from the credit due to our business men, who stand today recognized champions of right and truth. Honor has become part of the make-up of a business man, the foundation on which he must build; and the respect of his fellows and the commendation of his own conscience have come to mean more to him than the monetary profits from his industry and skill. There is no such thing as success in business in which these intangible rewards are overlooked.

**Five Grades of Business Success.**—Every business man rightly seeks success. As to just what success includes there may be disagreement, but we may clearly distinguish five distinct marks or grades in a successful business career. To a considerable extent the same five components mark success in any life, but there are other measures, other standards, especially of a religious type, which are not to be disregarded. However, in a real sense "Every man is a salesman"; everyone is engaged in business: and from the

viewpoint of business these five marks of success seem adequate.

First, success involves making a living. He who draws more from the world's treasury than he puts in is clearly not succeeding. You must support yourself and those de-



pendent upon you: that is the first grade of success, a statement too obvious to need illustration or discussion. It is the foundation stone upon which the monument of success is erected.

Second, success brings a margin sufficiently large to allow one a share in the luxuries of life—a good house to live in, pianos, radios, oriental rugs, an automobile, a jewel



or two, books and the like; leisure time for travel, for fellowship with family and friends. All these are recognized as indications of success in business, as rewards of success. To some that may seem the ultimate aim, and their acquisition may be regarded as complete success: but there are at least three higher standards of measurement.

The third height in a successful career is the attainment of reputation as a substantial citizen. It used to be said that no American politician was really famous until a five-cent cigar had been named for him; so no business man can count himself successful until he is recognized as a success. Undoubtedly there are exceptions to this rule; there may be "mute, inglorious Miltons." But they are rare. In modern American communities, you find your leading business men asked to address college classes, Rotary clubs and Boy Scout troops: you see his name in magazines and his picture adorning the newspaper columns. He is recognized as an authority, an expert, a person of influence. The government offers him dollar-a-year jobs. The public has confidence in him. This degree of public recognition seems to be a reasonable standard of business success.

But reputation is not enough: the five-cent cigar is soon smoked and is likely to leave a bad taste in the mouth. There must be firmer ground on which to stand. You know the difference between reputation and character—that the former is what you are thought to be, the latter what you are. What the public sees and applauds may be different from what you conceal, sometimes even from yourself. Though you may have a reputation that everyone envies, if you have not with it a clear conscience, you have not attained success. Strength of character, integrity, is the fourth of the standards in measuring business.

The fifth and final component, the capstone of the monument, is the consciousness of having rendered voluntary

service. It is true that a man who has earned a living, acquired a surplus, gained a good reputation and established a character must have rendered a degree of service in so doing, but it may have been purely for profit. Complete success demands more—there must be a certain consecration of one's service, a real freedom of giving, which stamps the leader, the man of the highest grade, the undeniably successful man. Service, true service, involves sacrifice—the giving of oneself.

One of the leading attorneys of our country, now a justice of the United States Supreme Court, when a young man undertook to tithe his services: he gave a tenth part of his time to unpaid work for the public. As he prospered he increased the proportion of his gratuitous service to a fifth, a fourth, a third, a half, and then virtually all his time and his services. He gave only because he wanted the satisfaction of giving, of knowing that he was performing service, putting as much into life as he took out, and a little more if possible. But it was precisely these unpaid cases which extended his reputation. He could not, if he would, escape the rewards that so generally are given for unselfish service.

You may liken attained success to a monument made up of four great stones with service as a capstone; but one important distinction should be made. In building a monument the upper stones cannot be laid until the lower ones are put in place, but in building success the element of service may be included from the first; even when you are doing no more than making a living you must seek ways of rendering service. Only so can you make it a component part of your real character and prepare yourself for complete and genuine success.

Earning a living is a problem of economics. Extending one's grasp to the luxuries of life is a social problem. Gaining reputation as a man of influence in the community is a

civic consideration. Keeping the conscience is a question of morals. And rendering service for which you require no direct reward is, in the main, a problem of ethics. Evolution in the business world has produced no higher type than the fifth grade man. The difference between the highest ideals of modern business and the standards of "caveat emptor" days is largely due to the recognition of service as the great purpose of business—the true foundation on which business is established.

**The Science of Personal Conduct.**—Ethics is more than an appeal to serve. It may be defined as a study of human relations with respect to right and wrong: or more briefly, the science of personal conduct. While allied to economics, ethics is not concerned with questions of profit and loss; while associated with law, ethics does not stop to ask if the law enforces an action that is right or forbids one that is wrong: although cognate to theology, ethics does not venture into consideration of religious questions; its field is philosophic rather than legal, moral rather than theological.

As in mechanical action there is "one best way" and only one to reach a desired result, so in our relations with the objects about us, animate and inanimate, there is one right relation—the others are wrong. But as one human being differs from all others it does not follow that the relation which is right for me is right for you: the ethical problem is not so easily solved. It is not even certain that what is right for me today will be right tomorrow, nor that what is right in Boston will be right in Pekin or Paris. Time, place and persons all condition the problem of right and wrong in conduct. This fact explains the difficulty of establishing a code of ethics which can be satisfactory under all conditions. Codes are helpful: they serve the individual as the chart serves the navigator, but to use them aright

one must know how to "take the sun" and compute one's latitude and longitude with scientific exactness.

In other words, one must recognize a fixed and unchanging standard, illuminating his entire way, and must be guided by equally unchanging principles. Relations are infinitely variable, but the moral foundation is eternally established. [It is for the individual to find for himself the true standard and deduce his own principles; in this effort a study of ethics can be of much assistance.]

### Summary of Chapter I

In nature, human history, and personal conduct there is evidence of the process of evolution, a continual struggle for existence resulting in the survival of that which proves to be best fitted to the environment.

In human association the individual's effort to advance his own welfare has apparently resulted in advancing general welfare.

In the development of business the highest success is found in the plane of service rendered without expectation of reward.

Ethics, the science of conduct, is a study of right and wrong in human relations. As human relations are subject to eternal variation, an invariable code is not practicable, but through a study of ethics fixed standards and principles may be discovered.

## CHAPTER II

### STANDARDS OF CONDUCT

**Right Versus Wrong.**—The subject matter of Ethics is the Right and the Wrong, the Good and the Bad, the Moral and the Immoral.

Without giving the subject much thought many of us might say that right is always distinguishable from wrong; that good and bad can never be mistaken for each other; that moral and immoral need never be confused. But in experience we find that there is no such simplicity in questions of conduct: it is not so easy to stamp an action as right or good or moral. Rarely can two people agree on the classification of all phases of conduct, and not always can one certainly determine even for himself the proper classification of his own conduct.

**Right, Good, and Moral Not Synonymous.**—Nor are the three terms of right, good, and moral synonymous, though they have much in common. Right and wrong have reference to some standard established by competent authority: good and bad indicate an intrinsic quality in the action or its result: moral and immoral recognize a relationship to customs, or *mores*, to use the Latin word from which our word *moral* is derived. It may be right for you to mortgage your home to buy an automobile, but it certainly is not good. It may be good for you to drink whiskey, but in this country it is not right. It may be right and good for me to eat pork, but for a devout Hebrew it is not moral.

**What is Conduct?**—Ethics is the science of conduct; then it may be well at the outset to determine what we mean



by "conduct." Perhaps the most satisfactory definition is that given by Herbert Spencer, one of the greatest of modern philosophers. He points out that conduct, while not coextensive with the aggregate of actions, is nearly so. That is, one's actions unite to make up conduct; excepting only actions without purpose—such as those of an epileptic in a fit or of a man walking in his sleep. Therefore he defines conduct as "acts adjusted to ends"—"ends" being the common philosophical term for purposes or objects.

But by no means all of conduct concerns us in a study of Ethics. Clearly a large part of our conduct is without ethical significance—neither good nor bad, right nor wrong, moral nor immoral, except as special conditions may affect the action or its results. Shall I walk to my work or go in a street car? This may be a question of hygiene, or of economics, or of business policy; but it ordinarily does not involve the question of right or wrong. But if there is a strike against the company and I am in sympathy with the strikers there is involved a moral question.

If by walking I make myself late at an appointment, it is wrong for me to walk. If by riding I neglect needed exercise it is wrong for me to ride. That is, I am free to walk or to ride without reproach until other considerations enter into the problem.

Throwing a stone may be an innocuous exercise at the sea shore: but throwing without assurance that it will do no harm when it strikes is wrong. Longfellow tells of shooting an arrow into the air—"It fell to earth, I knew not where," but later he found it in the heart of an oak, while the word which he spoke into the air, equally without aim, he found in the heart of a friend. All pleasing and commendable, at least in poetry. But suppose the arrow instead of the word had found the heart of his friend? Would not our poet have been guilty of manslaughter?

**Two Theories of Conduct.**—Here we find two distinct standards of measurement, or two schools of ethical teaching. Which shall decide the character of an action, the motive or the result? Often they differ widely. With perfectly good intention I give my neighbor's child a box of candy; the candy makes the child sick: was my act good because I meant to be generous, or bad because it caused suffering? Quite likely you will agree that it was bad—at least that it was not good. But take an opposite case: a modern Bluebeard invents a new poison with which he attempts to murder a few superfluous wives; but the poison fails to harm and instead proves beneficial to the undesired ladies: is his action therefore good?

Of these two theories one is subjective: that is, it is concerned with the subject of the action—the actor. It is his attitude which determines the rightness or wrongness of an act. The other is objective, concerned with the object of the action, that towards which the action is directed.

These two theories of judging conduct are known as the theory of Attitude and Content; or the How and the What; or the Inner and the Outer. A pretty good case can be established for either.

**Claims for the Inner Theory.**—The proponents of the Attitude, the How, or the Inner theory, as a criterion or standard of judgment, point out that this standard:

- (a) Makes morality wholly individual, personal and a matter of conscience. You, and you alone are responsible for your motives. Neither conditions, circumstances nor laws can coerce you in your attitude toward others.
- (b) Makes morality possible of achievement by every individual, while only a few can surely attain desired results.

- (c) Provides justification when results are uncertain.  
This is perhaps the strongest argument of all, for the outcome is so often in doubt that the motive may be the only excuse for action.
- (d) Cultivates a right spirit, which develops character and strengthens judgment, making better individuals and so in the end better society.

**Claims for the Outer Theory.**—The supporters of the Content, the What or the Outer theory, in turn claim that this criterion :

- (a) Gives morality a social value, in that the act of the individual is judged by its effect on others as well as on himself.
- (b) Makes conduct definite and concrete, bringing it out into the open, visible to all and subject to common judgment.
- (c) Makes moral rules possible and measurable. It is comparatively easy to enforce the commandment, "Thou shalt not steal," but practically impossible to enforce "Thou shalt not covet."
- (d) Makes individuals more careful and considerate, since they will suffer if results are evil whatever their intention.
- (e) Has dynamic effect, replacing contemplation and fatalistic acceptance of events with active effort to determine events.

In law the Outer, not the Inner, theory is acceptable; although even there the motive is not disregarded. In theology the Inner theory is stressed, if not made supreme. Yet the Master said: "By their fruits ye shall know them," and truly the judgment of others must be so based.

In popular teaching the man who "carries the message

to Garcia," the "go-getter," is the hero: he is the man who gets results, regardless of handicaps or obstacles. He is the kind of man whom we want to employ but not always the kind with whom we desire employment. His "getting there" is sometimes attended by a certain remorselessness which makes one doubt the benevolence, if not the purity, of his motive. His criterion of morality is entirely objective—outer rather than inner.

Happily, good intention and good result are commonly coexistent, and the effort of the individual may well be directed towards materializing his good motives. He may do that only through the exercise of all his wit and all his industry and with the widest possible knowledge of conditions which may affect his action.

**Three Levels of Morality.**—In the evolution of morality we may note that there are three stages of development, or levels of conduct—the Instinctive, the Customary and the Reflective.

**Instinctive Morality.**—The first level is that of the moron, the infant mind, possibly of the lower animals. On this level action is based primarily on instinct, and conduct is hardly subject to praise or blame. Without thought or care as to consequences you seize the attractive thing, you flee from danger, you seek pleasure, you shun pain. This is wholly an individualistic level, quite impossible as a social code, yet the level on which a painfully large proportion of our conduct is performed. All progress in moral life has been away from this lowest level.

**Customary Morality.**—On the second level, that of customary action, the individual opinion, is submerged and action controlled by the sentiment of the group to which he belongs. All tribal customs, class or trade rules, family

traditions, superstitions, national prejudices, party control, generally accepted fashions and fads, are examples of customary morality. To a great extent religious practices are in the same category. The penalty for failure to observe the *mores* may be ostracism or expulsion or extermination: the rights of the individual are disregarded—only the group has recognized importance.

So it happens that conduct which at one time or place is right, at another time or place is wrong. So true is this that one can hardly name an act now considered wrong which has not somewhere, sometime, been accepted as right. The Spartan boy was taught to steal; certain African tribesmen consider lying a virtue; the murder of infants was commended in Greece and Rome; the sacrifice of widows on the funeral pyre was approved in India; and the murder of the aged and infirm has been a not unusual custom in many places. The enslavement of human beings still has its defenders; torture as an inducement to confession is practiced by American police; our New England forefathers mixed rum with their religion; and even today, lotteries, which are condemned in America, are recognized state institutions in Latin countries; betting on horses, illegal in the United States, is general in England.

It may not be true that east of Suez "there ain't no ten commandments," but truly what is regarded as moral has differed from age to age, and from land to land, as much as black differs from white.

Some of these examples may seem to indicate a rising tide of moral thought, but it would be easy to point out numberless things which we now accept that in other times or places were condemned. To suggest only a few, think of the changed attitude toward Sunday baseball, smoking, theater-going, divorce: think of the horror with which the Japanese view the American habit of kissing and the shocked



surprise of Americans when they see the promiscuous public bathing of the Japanese. In England the word "stomach" is immodest; in America it is universally preferred to more colloquial terms. The adjective "bloody" is indecent in England, but it has no moral significance in America.

Customary morality is the basis of our civilization; for most of its precepts and its prohibitions there is, or once was, apparent reason. Why does courtesy require a man to remove his hat when entering a house? Because in feudal days the knight could doff his helmet in the presence of his friends and the act so became indicative of recognition of friendship. Why is thirteen at a table a source of anxiety? Because that was the number that partook of the last supper before the crucifixion of Jesus. Why do we turn to the right when meeting others? Because when every stranger was an enemy there was less danger of an attack from the left side than from the right.

Probably all generally accepted customs have their explanation in apparent reason. It does not take long to establish a habit, whether personal or group, and habits once established result in customary action. Hence we continue the action long after the need for it has disappeared or we transport it to other climes where it may be wholly incongruous. Americans residing in Porto Rico and the Philippines struggle to maintain the customs of the North—for example, they teach the Santa Claus legend to children who have never seen snow or brick fireplaces, and they import fir trees for their Christmas celebration, all regardless of the much more beautiful legend which to the children of those tropical lands carries the significance of the Christmas season.

**Reflective Morality.**—The third level is that of Reflective morality. As the designation indicates, this is descriptive

of action based on reflection—on judgment. On this level we return to individualism. Reflective morality does not disregard society, but it places the responsibility for conduct squarely upon the individual. "The man that sinneth, *he* shall die," but not, as was once the law, shall similar punishment be meted to his brothers and his sons and even to his neighbors.

If we except action based on divine inspiration, or possibly on heroic impulse, there is no higher level of conduct than the Reflective. It involves a study of conditions and of ourselves: it implies exercise of judgment and of character. The man who accustoms himself to reflection and action based on judgment will become the leader: he will be the outstanding man, for few are they who will consistently follow this régime. But such a man is likely not to be over-popular, for he must ever be ready to break away from tradition if his judgment finds the tradition harmful; he must test new theories which appear to him reasonable; he must refuse to be guided by the opinion of others.

At the same time, reflective morality does not warrant nor does it excuse an attitude of superiority or of disrespect for the opinions and the feelings of others. It does not condemn customs or traditions merely because they are traditional; it may accept and enjoy them if reason does not disapprove. Reflective morality does not enthrone the human mind; it does not induce the agnostic spirit. Reflective morality is tolerant, hopeful, reverent. It has been the marked characteristic of every eminent one in the race and it is still the particular characteristic of the strong man, whether he be a political chief, a religious leader, a business executive or a social arbiter.

**The True Basis of Moral Conduct.**—Without abandoning Instinctive morality, for there is sound basis for our

instincts, and still holding to as much of Customary as reason will permit, our individual effort should be to seek the higher level of Reflection and Judgment. Conduct so based can hardly be less than right and good—that is, ethical.

**Knowledge Leads to Tolerance.**—It is clearly difficult, and sometimes impossible, to establish infallible criteria of right and good and moral: it is true that human conceptions of these qualities have changed from age to age, often almost from year to year; it is well known that people of different nationalities have very different ideas of what these words mean. This cannot excuse the individual who fails to live up to the best standards of his time and place; but it may well induce a feeling of tolerant understanding of the faults of others. We claim for ourselves the right to determine our own standards of conduct—to live on the level of Reflective Morality, even though this may bring us into conflict with customs and instincts of others; and we can hardly do less than grant an equal right to others. Outside the bounds of established law, only the ignorant or narrow-minded person can assume the right to judge and to condemn. Tolerance is a characteristic of the sound thinker.

### Summary of Chapter II

Right and wrong, good and bad, moral and immoral, are not always clearly distinguishable. Much of conduct has no moral significance except as relations to other matters may introduce a moral factor.

Conduct is, according to Herbert Spencer, “The adjustment of acts to ends,” thereby excluding any acts which are wholly purposeless.

That is good which fulfills the purpose for which it exists: conduct is good when it is well adjusted to ends.

There are two criteria of conduct, the Inner and the

Outer, based respectively upon the motive and the result of the action: both must be considered in evaluating conduct.

There are three levels of morality—the Instinctive, the Customary and the Reflective. Each has its place and its value, with the Reflective as the most important.

## CHAPTER III

### ETHICAL SCHOOLS

**Motives for Action.**—When we define conduct as “action adjusted to ends,” we infer that there is some purpose for each act included in the broad term “conduct.” A good deal of ink has been spent by writers on Ethics in the attempt to prove a sufficient motive for action. We may deduce from the law of inertia, which certainly applies to human beings, that there would be no action, no motion, without an impelling force or motive. What is that motive? Why do we act?

Excluding from consideration such instinctive things as winking, breathing and other acts unconsciously performed, all our acts are the result of specific willing. They are all voluntary. We always do what we want to do. But there may be different reasons for wanting to do what we do. We may anticipate immediate pleasure or later satisfaction and happiness: we may be impelled by duty to perform an act immediately distasteful. We may act as the result of reason or of passion. But always action is voluntary, for no outside power can compel one to do what he will not. There is always a choice, even for the slave. It may be “Do this or die,” but the choice of the action rests with the actor, and his choice will be that which he considers “good.”

Perhaps it is not wholly true to say that action resulting from passion is directly “willed,” for in yielding to passion one surrenders his will to an overpowering emotion. But the normal person need not yield to passion. He may will to restrain himself and if he fails to do so, he is more or less deliberately choosing his course of action. In a similar sense



the intoxicated person has made his choice. He chooses as "good" a form of slavery which at times deprives him of the free exercise of his will.

**What is Good?**—Good and bad are more readily distinguished than are right and wrong, yet there is no possibility of determining, once for all, what is good and what is bad. When, on some inauspicious day, the market man delivers at my house a fish which has been too long out of water to be edible, I am likely to declare as I note the unappetizing aroma that the fish is *bad*, and you will agree with me. But my farmer friends will buy and pay for tons of such aromatic fish, for fertilizing purposes, and call it *good*.

A New England mining company tried to market a line of coal: it was hard and black and in other ways like coal, but it had one defect—it wouldn't burn. The public was right in deciding that it was not good.

A good watch keeps time: it may have a case of nickel or of platinum: its jewels may be rubies or cut glass—if it keeps time, it is a good watch. A good knife cuts: a good cow gives milk: a good story entertains us. In short, that thing is good which performs the function for which it exists; the degree of goodness is measured by the degree of efficiency of performance.

Other conceptions of good worthy of consideration are:

- (a) that which is pleasurable—the so-called Hedonistic doctrine.
- (b) that which brings the greatest happiness to the greatest number—a phase of Utilitarianism.
- (c) that which can be universally accepted—a part of Kant's doctrine of Free-will.
- (d) that which is in accord with divine will—the Theistic doctrine.

Acts are good or bad to the extent that they are well or ill adjusted to ends. Good conduct, therefore, is action well adjusted to the desired end. If the end itself is good such good conduct is right: if the end is evil the good conduct is wrong.

The attempt to find the ultimate good, the *summum bonum*, has attracted philosophers of all time: especially was it the ambition of early Greek philosophers to determine this *summum bonum*, and rare is the quality which has not at some time been so acclaimed. Courage, truth, virtue, happiness, duty, pleasure, all have been declared the one good: but humanity has not been convinced and the search has continued.

**Hedonism, Pleasure as Good.**—The Hedonistic conception of good is “that which produces pleasure.” This doctrine, somewhat shocking in its first suggestion, has had many defenders. It was first formally presented by Aristippus,<sup>1</sup> who taught that human happiness consisted in securing pleasure and avoiding pain.

**Pleasure as a Motive.**—Parallel with this conception of good is the theory that pleasure is the motive for all action, a theory which can be maintained, if at all, only by considerable extension of the meaning of pleasure. If we agree that it is a pleasure for the laggard to rise when the alarm clock sounds, that it is a pleasure for the mother to starve herself in order to feed her child, that it is a pleasure for the martyr to die rather than recant, then perhaps we may accept the Hedonistic view. And it is possible to argue that there is pleasure in all these things—or at least that there is

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<sup>1</sup>A Grecian philosopher, a disciple of Socrates. Lived in Cyrene, North Africa, 435–355 B. C. Recognized as the founder of the Hedonist School of Philosophy—“Hedonist” from the Greek *hedone* meaning *pleasure*.

less pain in them than in the alternatives which are presented with them. To that intent, therefore, we may accept the theory that pleasure is the motive for action.

But to most of us, personal, selfish pleasure, even though it may accompany apparently unselfish action, seems hardly a worthy motive. And the ultimate teachings of the Hedonistic school, which lead to a philosophy of pessimism, do not tend to influence us towards this doctrine.<sup>2</sup>

**The Philosophy of Pessimism.**—Schopenhauer, a German philosopher much in vogue in recent years, has to some extent popularized the Hegesian doctrine that life is not worth living. His reasoning is subtle and not always easy to follow, but in effect it points out that every act of the human will is indicative of a want, and that all want implies suffering; and as the activity of the will is continuous, the satisfaction of any want will merely give way to another want—more suffering. Thus it is clear, at least to Schopenhauer, that the pains of life must exceed the pleasures, or, in other words, that non-existence is preferable to existence.

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<sup>2</sup> Hedonism passes through a process of evolution which may, at first sight, seem surprising, but which is no more than natural; it changes into pessimism in the philosophy of Hegesias, called in Greek, the "Persuader to die." This evolution was the logical outcome of the hedonistic principle. The aim of life for the Hedonist is pleasure; the pleasure of the moment according to some, permanent pleasure or happiness according to others. But experience proves that life affords more pain than pleasure, and that unalloyed happiness is never attained. Hence the aim of life is not and cannot be realized. Life, therefore, has no value: death is preferable to life; for death brings a negative happiness consisting in the absolute suppression of pain. This is the way in which Hegesias reasons, and all must reason who regard pleasure, joy, or happiness as the only end of life.

"Life has real value only for such as recognize a higher aim, namely, moral goodness, the performance of duty; in other words, life has value only for him who considers it as a means and not as an end in itself. For the idealist virtue is the highest good. Now virtue can be realized only by living beings. Hence life itself, being the means and indispensable condition of virtue, the highest good, is a relative good, and not the *summum bonum*. Hence moral idealism necessarily excludes pessimism." (Weber, History of Philosophy.)

The ideal that Schopenhauer sets before us is the ultimate extinction of human life, with a consequent extinction of wants and pains. Opposing this ideal, even Schopenhauer recognizes a strange "Will to live" in every being, an insistence upon retaining a hold upon life with all its pains and pleasures, however they may compare with each other. Thoughtful people may accept most if not all of Schopenhauer's premises, but at the same time refuse to draw any of his conclusions. He may demonstrate that life is not worth living, but people everywhere persist in living. Great philosophers and poets agree that the yield of life in pleasure does not compensate for the loss in pain. Job is not the only man who has cursed the day he was born; yet few are eager to give up the life which offers so much of pain and so little of pleasure.

There can be only one explanation of this strange situation—that is, that pleasure is not the standard by which we measure good. It is not so much a question of whether we want life as it is of whether life wants us. Our existence is to be interpreted less in terms of our claims upon life which we may expect to collect in the currency of pleasure, than of life's claims upon us to be paid in terms of service. It is not, after all, our business to get fun out of life, but to accomplish the particular purpose of life that it is working out in us.

**Happiness as a Motive.**—Hedonism would make pleasure the motive and the end of all conduct: a saner development of the theory, known as Utilitarianism, or universalistic hedonism, holds that it is not the pleasure of the individual actor which is the ultimate good, but the pleasure of all affected by the act—in other words, the happiness of all. To secure the "Greatest good of the greatest number" is the ideal of the Utilitarian. This ideal was expressed by John Stuart Mill, who said: "Actions are right in proportion as

they tend to promote happiness; wrong as they tend to promote unhappiness. Happiness is pleasure and the absence of pain: unhappiness is pain and the absence of pleasure."<sup>3</sup>

To the question "Whose happiness is to be considered?" another Utilitarian, Jeremiah Bentham, answered: "Everybody should count as one and nobody more than one." That is, the happiness of every individual should have consideration.

This has a specious sound but it implies an ability to foresee consequences and to determine the effects of our actions upon others which is too frequently beyond human capacity. It demands that one individual shall decide what is good for others—a theory which has caused strife, persecution and war from the days of Adam to our own. One may sincerely desire to do unto others as he would that they should do to him, but by assuming that whatever pleases him, or gives him happiness, will also please others or add to their happiness, he may be led arbitrarily to impose his standard upon others—and that is tyranny.

Much of the so-called "welfare work," which has been tried and found wanting by great business concerns, has failed because it was a concrete effort to give people what someone else considered good for them—to determine for them what would add to their happiness. An unfortunate tendency among social workers to adopt this theory has brought much faithful effort to naught. Whether the effort be to add to his happiness or his pains, the individual resents "having things done for him." He prefers to seek and conserve his own well-being in ways which appeal to himself.

**Pragmatism.**—It is clear that the Utilitarian would judge conduct by results. The doctrine has been popularized in

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<sup>3</sup> John Stuart Mill (1807-1873) an English writer, especially famed for two works, "Logic" and "Utilitarianism." He was the founder of modern logic and an authority on Economics.



America as Pragmatism,<sup>4</sup> which judges all acts by their practical results. The Pragmatist says that the motive is good and the thinking true "if the practical results are satisfactory"; and if we could all agree on the exact meaning of "practical" and "satisfactory," this statement might be universally acceptable. Unfortunately, we cannot agree on these definitions: what the college professor may regard as practical and satisfactory the grocer on the corner may consider most impractical and unsatisfactory.

But Pragmatism is a wholesome doctrine and, in spite of possible ambiguities, generally understandable. It is based on the laboratory method of science, the methods of research and test. Without committing ourselves to the philosophic doctrine, we may find in it at least a suggestion for our own ethical study. We may safely decide that actions which do not result in practical satisfaction are themselves unsatisfactory; if not obviously bad, they are at best debatable; they may lie in a twilight zone, but they are best restrained or discontinued. Actions, like men, are known by their fruits; if the fruit is unwholesome why should one cultivate the tree?

**Duty as a Motive.**—It would be pleasing to our vanity to believe that conduct results always from what reason tells us is our duty, but we know too well how seldom our action is genuinely reasonable. "By reasonable action we mean such action as recognizes and observes all the necessary conditions; actions in which impulse, instinct, inclination, habit, opinion, prejudice (as the case might be) are moderated, guided and determined by considerations which lie outside of

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<sup>4</sup> This theory was presented by William James, of Harvard University, in his book entitled "Pragmatism," which was for some time the most widely circulated non-fiction book in American public libraries. The present chief exponent is John Dewey of Columbia University.

and beyond them. Not merely to form ends and select means, but to judge the worth of these means and ends by a standard, is then the distinctive province of reason in morals.”<sup>5</sup>

The great German philosopher, Kant,<sup>6</sup> upheld the doctrine of Practical Reason as the basis of action, but he looked upon reason as independent of experience—as something inherent, *a priori*, a part of man’s nature manifesting itself in the consciousness of the absolute authority of universal law.

According to Kant, whatever may be universal, without inconsistency, is right. Whatever could not be so universalized is wrong. His guiding principle may be expressed in his famous dictum, sometimes called the *Categorical Imperative*, “Act as if the law of thy action were to become, by thy will, a universal law.” He points out that when we do wrong we do not will that others should do the same. On the contrary, we want others to keep on doing right, so that we may profit by our wrong actions. *Wrong-doing consists in making an exception for oneself*. A moral action is that done from a sense of duty as opposed to desire.

Perhaps no one has suggested a better method for realizing the ultimate effects of an action than through the application of this Categorical Imperative of Kant’s. An honest attempt to decide how we should like to have everyone committed forever to the principle of our action may throw much light upon its propriety or its wisdom.

Indeed, the Categorical Imperative—the command which is absolutely unconditional—may be read as a restatement of the Golden Rule, “Do unto others as ye would that they

<sup>5</sup> From “Ethics” by Dewey and Tufts, page 307, Holt: 1908.

<sup>6</sup> Immanuel Kant (1724-1804) is considered the most influential of modern philosophers. In his chief work, “Critique of Pure Reason,” he affirms that reason alone can be made the basis for all action. Other important writings are “Critique of Practical Reason” and “Critique of Judgment.”

should do unto you," a rule which, sanely interpreted, has done more to produce human harmony and effective cooperation than all the studies of philosophers from Thales to Spencer.

**Divine Will as Motive—The Moral Sense.**—There have never been lacking men who claimed to find in the will of God motive for every action and justification for every result. *If* he can know God's will the sincere believer need ask no other guidance: the difficulty lies in the condition.

These people have believed that a knowledge of good and evil, or the ability to distinguish between right and wrong, is inherent in the human breast. They have found a guide in Conscience, to be accepted as a mentor whose advice might always be safely followed.

But conscience has not been universally consistent. What is accepted as divine direction by A is often believed by B to be inspired by Satan. There is no crime that has not been committed and justified by devotees of some religion—an unhappy fact which applies not only to pagan and barbaric religions, but to our own, as well.

Not only does the conscientious man of today differ marvelously in his conduct from the equally conscientious man of a century ago, but hardly can two men at one time agree on the dictates of conscience. What I think may be the urging of the divine mentor in my breast may be my own unholy ambition, and even more often what I regard as the rebuke of conscience may be merely indigestion.

If man had a moral sense, as clear and positive as one of his physical senses, he might accept its dictates without question. That normal man has such a Moral Sense has been taught by many philosophers, from Aristotle, who located it in a desire for the good and called it the Will; to Kant, who found it expressing itself in man's free will,

which he said was the only source of moral action. In general this theory is known as *Intuitionism*.

But except in broad generalities, we do not intuitively distinguish right from wrong. My physical sense of sight always distinguishes red from blue, without resort to reason, and I find that all other normal people make the same distinction. Not so in the moral field: my moral sense may report to me that dancing is wrong while your moral sense may report to you that it is right. You will never convince me that blue is red, but you may lead me to regard dancing as right, in spite of the first dictum of my conscience.

No fact can be more evident than that conscience is readily susceptible to education: and this is enough to displace it as an infallible and divinely ordained guide.

A negative rule might indeed be safely accepted: Do nothing which your conscience disapproves. But this should be supplemented by an admonition to subject one's conscience to the calm consideration of reason. Otherwise conduct will be subject to prejudice and predilection, rather than to rational purpose.

**The New England Conscience.**—Despite this apparent disparagement of conscience, it is probably true that the strongest and best of society have been men who accepted the tenets of this faith. The "New England Conscience" has been largely responsible for our national uprightness.

"The sense of duty, the service of right for right's sake, the burden of the cause of righteousness to be borne with no thought of self, no concern for the sneers of the world, with only defiance for the seductions of the flesh and the wiles of the devil"—this, the essence of the New England Conscience, outlines a code which fails of good results only when there is a mistaken idea of duty, or a false sense of right.

**Calvinism in America.**—This New England Conscience was a direct development of the doctrines of John Calvin.<sup>7</sup> In America the influence of Calvin has been incalculable, affecting at once our political and economic ideals and providing a firm basis for our ethics.

Calvin's doctrines depended on two principles—the absolute sovereignty and goodness of God, and the utter depravity of man. It enthroned conscience, but delegated disproportionate influence to any who might be considered representatives of God—especially to the clergy, who in Calvinistic society became almost an aristocracy with autocratic powers.

As one result, society, acting through an omnipotent clergy, undertook the regulation of many details of individual conduct which we today consider wholly the concern of the individual. The so-called "Blue Laws" of the various colonies, requiring church membership and attendance and forbidding scores of actions which to us seem entirely proper, were a natural outcome. And, as always when morality is imposed from without, hypocrisy was rampant.

But the same Calvinistic doctrines, upheld by the Puritans in Massachusetts, the Baptists in Rhode Island, the Dutch in New York, the Huguenots in Maryland, and the Episcopalians in Virginia, impressed and emphasized the principle of individual responsibility and so had much to do with the growth of democracy; they stressed the importance of wise employment of time and so inculcated industry and thrift; they regarded prosperity as an evidence of divine favor, and therefore encouraged accumulation of wealth. Free competition and economic opportunity for all were natural corollaries.

The Calvinist believed that he must be diligent in business, and looked on the consequent profits as an evidence of

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<sup>7</sup> John Calvin (1509-1564), a French Protestant preacher, resident in Geneva.



the Lord's blessing on his affairs. He considered low wages necessary to force the lazy to work—and work itself he regarded as a means of grace.

**A Bulwark of Capitalism.**—The ethical justification of Capitalism does not flow solely from these Calvinistic springs, but it is clear that their influence has been wholly favorable to the capitalistic system.

According to this doctrine, God's blessing on the man who did well gave him prosperity, power, property. These evidences of divine sanction in turn stamped their possessor as a superior person, one who might rightly control the actions of others less favored of God. The right of private property, which in America is the very foundation on which economic and political structures stand, finds hearty support in these religious teachings.

**What is Right?**—How, with all these theories and doctrines to choose from, shall we determine for ourselves what, in any given circumstances, is the right? Can an absolute standard, acceptable to all, be established? In an attempt to fix such standards there have been adopted many Codes of Ethics, which have given the individual a basis of customary morality on which to operate. But the higher level of reflective morality cannot be reached through reliance upon codes, however good they may be.

Desiring to act aright, to maintain ethical conduct under all conditions, you must be sure that your motive is worthy and its manifestation in harmony with the dictates of conscience and well-ordered reason.

We cannot agree with the Hedonistic view that the motive for action of any kind is pleasure, even with all possible qualifications and modifications of that teaching. As a matter of psychology we desire specific things and we act upon specific impulses without actually thinking about

pleasure or the chances of getting it. And this is fortunate; for the desire for pleasure is one that never can be gratified, pleasure, if pursued, having a curious and inevitable habit of eluding the pursuer.

Pleasure is an indirect result, coming only when we have been actively engaged in some other pursuit. For this reason the most real and lasting pleasures have been found in connection with work. The more insistent the demand that work makes upon our faculties, the greater is the accompanying pleasure, yet there is no certain recipe for its production. It eludes us when we desire it directly and comes to us, almost as a surprise, when we are ardently concerned with the achievement of some other worthy object.

Perhaps the most important lessons to be learned from the study of motives and aims are that questions of right and wrong cannot be automatically decided; that every new relation demands new consideration; that the individual must accept responsibility; and that customs and codes reflect the minimum rather than the maximum of desirability.

And withal it should be remembered that while "Time makes ancient good uncouth," the wise man will not abandon the old standards until the new are proved to be better. There must be something of good in what generations of men have approved; changed conditions may indeed warrant modification, revision, or even rejection of the old standard, but the burden of proof is on him who objects to the time-honored practices. Only the unthinking man discards the wisdom of the fathers before he has tested that of the sons and found it more satisfying.

### Summary of Chapter III

The motive for action has been said by the Hedonists to be pleasure; by the Utilitarians to be happiness; by the

Pragmatists to be practical satisfaction; by Kant to be reason; by Calvin to be the will of God. In every case, the aim is what the individual regards as "good."

The chief difficulty with any of these declarations lies in the interpretation of the terms. In effect, any of them may result well, or by strictly logical application, may bring about only evil consequences.

Calvin's doctrines have been especially influential in American political and economic development, and have tended to justify the existing capitalistic system.

Right and wrong cannot be finally determined by the dicta of any inflexible code, but must be established from conscientious consideration of all circumstances and conditions. Happiness is a composite result coming with the attainment of other concrete ends.

## CHAPTER IV

### THE VIRTUES

**The Number of Virtues.**—Plato<sup>1</sup> one of the world's greatest thinkers, believed that the *summum bonum* is Virtue; and while he recognized Virtue as a unit, he divided it into four cardinal virtues, from which all specific good might be deduced. These Cardinal Virtues he found to be Wisdom, Temperance (or Moderation), Courage and Justice.

Benjamin Franklin, seeking to perfect himself, listed thirteen virtues and reasoned that when he had attained them all, his conduct would be blameless. His list was: Temperance, Silence, Order, Resolution, Frugality, Industry, Sincerity, Justice, Moderation, Cleanliness, Tranquillity, Chastity and Humility. For a purpose like his, the large number would be helpful, but Franklin's thirteen include nothing which might not be classed in Plato's four.

President Hyde of Bowdoin College, in his study of practical ethics, makes a list of twenty-three virtues and twenty-three corresponding vices. We may, indeed, extend almost indefinitely the number of "goods" that may be set before the mind, but many of these "goods" overlap or even coincide with others. Even with the four Cardinal Virtues, it is not easy in every case to differentiate Justice from Courage, or either from Wisdom; but fortunately no such differentiation is necessary. We do not need to label our

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<sup>1</sup> Plato, born 429 B. C., a disciple of Socrates, taught that *Ideas* or *Forms* existing outside the material world were the only sources of good, and the only realities. His teaching strongly influenced all succeeding scholars and students. *Platonism* is the belief that the true existence of things corresponds with our highest ideals of them.

principles or our emotions in order to hold and enjoy them, although for descriptive purposes and analytic study names are helpful.

Whatever their names or divisions, the "goods" or "virtues" are universally acknowledged to be desirable—at least in other people, and any regimen that results in emphasizing or developing them is approved. The impartial biographer commends Washington because of his temperance, justice, courage and wisdom and condemns Benedict Arnold for the lack of at least three if not all four of these virtues. So we may regard as of some value any exercise which strengthens or brings out the virtues and represses or eliminates the vices. Aside from religion, which should above all else be effective in this field, education is perhaps of first importance in the development of virtues.

Education is the process of adjustment of the individual to his environment: its purpose is to make all relations profitable. The child soon learns not to put his hand into the flame: education shows him that the profitable relation between hand and flame is propinquity rather than contact. So he may learn that truth is more profitable than a lie; that honesty is better than dishonesty; that all virtues are profitable and all vices unprofitable. If he is fortunate in his environment and is intelligent, he may learn most of these things, if not all, by observation rather than through the expensive method of personal experience—of "trial and error." It should be the primal purpose of every form of education to make personal experimentation in these moral fields unnecessary and unattractive, for in many of them a single experiment may bring irretrievable disaster.

**Virtues Inculcated by Business.**—Often the most evident, and not infrequently the most valuable part of one's education is gained through the exercise of his vocation.



The boy who was quite impervious to school influences may feel an interest in the processes and customs of industry sufficient to induce study and arouse emulation. In that field he may acquire intensive education, but its breadth must depend greatly upon the opportunities which the vocation offers.

In this century the business man needs a broad education, and he finds business, with its complexity of organization and its far-reaching activities, truly broadening in its effects upon his education. He finds also that the practice of business tends to the development of the ethical nature and inculcates its own characteristic virtues in the business man.

**Truth.**—What Franklin listed as Sincerity and Plato included as a phase of Justice is perhaps the fundamental virtue of business. Business is an ultra-social occupation; its pursuit involves continual and intimate relations with others: on that account the business man soon learns the basic importance of Truth, Honesty, Truthworthiness. Indeed, no business can be built without this virtue as a cornerstone.

The wolves and the jackals, seeking profit without rendering service, assume truth and honesty and succeed only as far as they can maintain the assumption. It is true that the cost of commercial dishonesty, like the cost of all crime, is a serious burden to society; yet the proportion of dishonest business is gratifyingly small—probably never approaching two per cent of the normal transactions of commerce.

Honesty is so fundamental to modern business that it seems quite unnecessary to enlarge upon the fact. The business man, on Main Street or on Wall Street, guards his reputation for honesty as his choicest possession. Honesty

is no longer a policy—it is the foundation on which business is built. Honesty is merely an extension of truth.

No business house can look for success if it is not known to be dependable, if its statements regarding goods and conditions cannot be accepted without qualification, if its prices are not honestly adjusted. So the business man who must try for success, finds this preeminent virtue almost forced upon him. He must be a man of integrity.

A phase of this virtue which impresses itself upon the youngest employee is the importance of Trustworthiness, which is only truth in action as well as in word. It has been my experience to receive many hundreds of applications from employers for assistants in their business, and I have never known one who did not rate, as the first essential, this virtue of Trustworthiness. Other requirements may be discounted or even waived, but this one never. No worker, however modest his position in the organization, nor however slight his influence with the management, can hope to progress or even to retain his place so long as he lacks Trustworthiness or fails to show his devotion to Truth. Truth is the first of the virtues actually inculcated by business and the one of greatest significance.

**Persistence.**—The business man does not stumble upon a fortune; there is no possibility of his “striking oil” and having wealth poured upon him by the lavishness of nature. His success comes only as a result of unremitting, persistent effort—effort concentrated on the business in which he is engaged. It happens, then, that the virtue of Persistence is one of the great principles inculcated by business. The lesson that must be learned is that of finding the good and holding fast to it—and this involves much more than merely “sticking to the job.”

American business men are sometimes accused of a nar-

row concentration on their trade, of inability to think or talk of other subjects. It is not surprising if this should occasionally be true, for not every man knows how to meet the imperative demands of business without giving his entire self to the task. But Persistence, Concentration, does not mean absorption, and even the most eager business man can find time for family, friends, church and society. Persistence is a virtue; absorption is a vice. Business teaches persistence, shows it to be essential to success, but does not require the extravagance of absorption. The business man learns that he must not be indifferent to the many relations outside his vocation; such indifference would itself prove a serious handicap to his commercial progress. But he must push his product, he must seek improvements, he must concentrate on ways and means, or success is not for him.

**Courage.**—A considerable part of business involves risk-taking. Modern merchants may avail themselves of many forms of insurance, but nothing can take the final responsibility from the man who ventures into business. Every business deal is an adventure which can be enjoyed only by a man of courage. The manufacturer must have Courage when he buys raw material and employs labor for a product which will not be ready for the market for many months and which then may not find public favor. The merchant needs Courage to invest his capital in a stock which he may find it not easy to sell. The banker must have Courage, as well as judgment, when he loans money to a man whose chief security is his good character. The young man taking a job with a business house, of which he thereby makes himself a part, may be courageous, or he may have taken the easiest way without serious consideration; but if he remains in business, there will be frequent occasion where the exhibition of Courage will advance him, or the lack of Courage

will hold him back. Courage is distinctly a virtue of business. It is not the physical bravery of the soldier, but it is no less impelling. It comes from the heart and holds the heart to the task. It is inculcated by business and strengthened by every business development.

**Thrift.**—Business cannot exist without capital, and capital is acquired only through Thrift. The man who consumes every dollar that he earns may be a good fellow but he is a poor business man. He is adding nothing to the world's wealth and storing up nothing for himself. Business has small place for him; it posits Thrift as a fixed element of success. There is a close relation between Thrift and the other virtues—so close, indeed, that many business men look upon Thrift as the mother of all the rest. Certainly neither honesty nor persistence nor courage can well develop where Thrift is absent.

Business does not countenance parsimony or miserly saving; neither of these should be mistaken for Thrift, which impresses care in spending as much as consistency in saving. A scientific budget is a means of grace which cannot be neglected in the cultivation of this important virtue.

Thrift is almost forced upon the business man; waste of money or of material may easily bring bankruptcy and waste of time is the certain precursor of failure. Hence business may be credited with inducing Thrift as an outstanding feature in the character of the successful business man.

**Morality.**—The close contact of the business man with his associates and patrons gives them all the right to demand that his moral habits shall be unobjectionable. The president of a great bank was recently declared by a competent court to have been guilty of immorality warranting the grant

of a divorce to his wife. The directors of the bank displaced him, in spite of his arrogant claim that his private life in no way affected his efficiency in business. But the directors knew better; they knew that the public would have little confidence in a man of known immorality, and that business can survive only so long as it has public confidence.

No virtue is more clearly inculcated by business than that of clean living, personal honor, Morality.

**Courtesy.**—Courtesy, a virtue distinctly induced by business, means much more than politeness, polish, or any surface exhibition of good manners. These are not unimportant, but they are not of such fundamental interest as genuine “heart action,” which is the root meaning Courtesy.

In addition to these surface indications, it is not too much to include under the head of Courtesy all the relations between the individual and those about him: relations between employer and employee, such as methods of payment, working conditions, vacation allowances and recognition of organizations; relations between competitors; between the business man and his patrons or the public; and between co-workers. Though this may extend somewhat the usual meaning of Courtesy, the extension will be seen to be warranted if we recognize to what extent the effect of any of these relations is dependent on the “Heart”—on *feeling* rather than on *reason* alone.

For example, consider the payment of workers: perhaps no wholly satisfactory system of payment has been devised. Certain types of agitators have declaimed against “wage slavery,” accusing employers of holding for themselves the lion’s share of the profits created by the workers in their employ; yet only through a definite wage scale can the worker be assured a definite income when the profits shrink or disappear. The modern business man realizes that the



wage must be fair, and perhaps must be supplemented by some form of profit sharing or bonus which clearly recognizes and rewards the interest and activity of the worker. He does not agree with the old Calvinist who urged the necessity and the righteousness of low wages, as an incentive to industry. Yet there is a question of ethics as well as of economics in the determination of the amount to be paid to each one who shares in the business. It is not right to overpay; it is not right to encourage slackness and inefficiency with recompense equal to that given for active cooperation and efficient effort. Conscientious employers study this problem with greatest concern.

Courtesy includes right relations with competitors. A competitor is no longer looked upon as an enemy, but rather as an inspiring friend, with whom cooperation for the general good is the normal course. The spy system—the employment of “shoppers” to purchase samples of competitor’s goods for the purpose of duplication—is still in vogue, but it cannot be defended from the point of view of ethics. It is a wrong, a relic of the dark ages of commercial warfare.

Courtesy to patrons is an accepted fundamental of business success. To his patrons and the public the business man’s duty is reasonably clear. No one now doubts the wrong of misrepresentation of quality, of unfair prices, of adulteration or of substitution, all of which were once commonly practiced. Ethical standards today are pretty well established on these points. The adoption of “one price to all” was a tremendous ethical advance which, like most ethical advances, proved to be economically sound as well. Its modification through special “sales” and bargain days is rightly causing some alarm to merchants who hope for continued ethical progress.

**Loyalty a Phase of Courtesy.**—A phase of courtesy which is of untold importance is that fine loyalty which impels constant effort in behalf of the organization of which one is a part. A loyal employer will not overlook his own men when a promotion is possible; a loyal employee will not divulge business secrets nor cast aspersions upon the credit or honor of his house.

An attitude of mutual helpfulness in place of distrust and intrigue should characterize the working force of any organization. It requires no argument to show the wrong in an attempt to advance one's interests at the expense of a fellowman—to profit from another's loss. Ethics does not demand that a man neglect his own interests, but it does require him to be mindful of the right—as much the right of others as of himself. Its clearest pronouncement in this direction is to "Do unto others as you would that they should do unto you." This is true Courtesy.

**Philanthropy.**—But, after all, say some, the devotion to business which is an essential element of success develops selfishness: it induces a ruthlessness of action, a disregard of the weak by the strong, a readiness, even an eagerness to crush and destroy all who oppose, to build oneself up at the expense of all others. This is far from the truth. Like the captain of an ocean liner, the manager of a great business must look first to the safety of his ship. He must make sure that his craft is strong and seaworthy; he is responsible for the security of all who sail with him, and this puts upon him an obligation to guard well his own ship. But as he navigates on the stormy seas of commerce and steers his way into crowded harbors he fails not to respect the rights of others; he avoids collisions; he displays his sidelights and his anchor lights; he recognizes and responds to the signals of every craft about him. And when he hears the S.O.S.

of distress or sees the inverted pennant at the masthead of a struggling neighbor he stands ready to give relief, regardless of danger or loss.

The sea has its pirates and buccaneers and their kind has not been unknown in business; but their day is past, and their place has been taken by men of broader vision and keener sympathy.

Yet more: where is the college, the hospital, the art museum, the library, the park or the playground which does not testify to the generosity of business men? Our men of wealth have given a new meaning to the word "philanthropy." They have learned to seek for methods of doing good with their fortunes: they have taken away the odium from riches and proved that prosperity may be a twin sister to generosity and kindness of heart.

**Business a Builder of Virtues.**—The man who would succeed in business finds all these virtues, and perhaps many others, almost imposed upon him. To attain his material purpose, he must practice them all, he must make them a part of his life, not merely assume them as a cloak, and he cannot practice them without making them a constituent part of his character.

Modern psychologists tell us that an emotion may be caused by the physical action which we commonly consider the result of the emotion; that is, for example, that one may arouse his own anger by scowling, clenching and shaking the fist, snarling and swearing; that one may make himself feel joyful by smiling and laughing. To some extent this is certainly true. It is equally true that the constant recognition of truth, courage, morality, and similar virtues will result in their acceptance as the natural foundations upon which to build a career. Business is not only an educative force; it is a force for morality, honor and virtue.

### Summary of Chapter IV

Virtues on which the ultimate security of society rests are not only a basis for business, but may be inculcated by business itself.

Among virtues brought out especially by the experience of business are:

- (a) Truth, including honesty and trustworthiness;
- (b) Persistence, shown in industry and concentration;
- (c) Courage, developing strength;
- (d) Thrift, care in the expenditure of time;
- (e) Morality, clean living;
- (f) Courtesy, covering all relations with others and culminating in the Golden Rule.
- (g) Philanthropy, voluntary service to others, generous support of worthy objects.

## CHAPTER V

### THE MEANING OF SERVICE

**The Motive of Business.**—The business man must regard himself not merely as a factor in the upbuilding of national wealth, but as a human being with all the rights and duties of a man. The employer and the employee are equally honored in a fair consideration of the human factor in business, which leads directly to recognition of service as the great purpose of business.

This conception of business, this acceptance of service as its basic motive, is of the greatest ethical importance. It is not too much to say that in the recognition of service rather than money making as a main purpose, business won its first great ethical victory. In theory at least, that recognition is now general, but practice has not in every case kept step with theory. This may be, in part, because of misunderstanding of what is meant by service, for, like every term which becomes popular, this word is often used with little conception of what it really implies.

There are some who think of service as merely some superficial addition intended to sweeten a transaction—such as putting a man in uniform to open the door or maintaining an extra telephone. These additions may indeed add to the service rendered, or they may be mere frills and fads and fancies which add only to the cost of doing business. Many of us would prefer to have the extra value incorporated in the goods we buy, leaving us to open the doors ourselves. A great deal of waste has been condoned by the claim that the expenditure was for added service.

Still more to be criticised is the attempt to disguise



unfair dealing with an overlaying of some superfluous generosity which masquerades as service. If the milk that I sell you is impure, you will not regard the patent cap on the bottle as a sufficient balance to warrant my claim to rendering you service. If the shoes that you sell me have soles of brown paper instead of leather, the fact that you deliver them to me in a box wrapped in tissue and tied with ribbon will not convince me that you are in business for the purpose of service. You have made no sacrifice—and sacrifice is the basis of service.

**Three Kinds of Service.**—Dr. Felix Adler, leader of the New York Society for Ethical Culture, has distinguished three kinds of service to be rendered by commerce and industry.

**The Direct Service Inherent in Business.**—The first of these is the direct service of supplying human needs. The manufacturers who from crude metal and rough lumber produce pocket-knives, or from raw cotton produce cloth, or from meats and garden truck produce soup, are obviously to that extent rendering a service. The merchants who distribute these goods to their patrons, the bankers who finance the transactions, the publishers who advertise them, the insurance underwriters who equalize losses, all are serving society in a very direct way. They are supplying needs for which they may rightly expect to be recompensed.

It is the palpable object of business to feed and clothe mankind, to enable men to live in comfort and security, to perform tasks for the community which the individual members could not so well perform for themselves. Civilization has advanced as this service has been more efficiently rendered. Famines devastate China and Russia, in spite of the vast productiveness of those lands, because business is not

functioning there. To a service of such essential value the greatest men may rightly devote themselves.

With this view of business we see that it is not sordid or unworthy. When I sell you a cake of soap I am not merely making a profit of two cents for myself; I am helping you to cleanliness and health and happiness. My name may not on that account be enrolled in the list of the famous, but in a composite sense it deserves to be there, for I have rendered a service no less important than that of the great artist, or the inspired poet. I have added to the sum of human happiness.

That is, I have done all these good things if the soap I have sold you is good soap, fitted for the end for which it is desired, and sold for a fair price. When business is carried on with the great principle of service as its purpose, these are the considerations which must govern all transactions. The ethically minded business man will deal only in "goods," in articles which may be expected to perform the function for which they exist, and he will exact a price based on open understanding rather than on cupidity and craftiness.

**The Service to Science and Art.**—The second kind of service is indirect, but no less important. It is a truism that civilization has progressed hand in hand with business, and civilization depends primarily on the development of science and the arts. It is not mere coincidence that science has been most productive, art most flourishing and literature most brilliant in communities where business has been most active. The history of commerce runs on parallel lines with the history of invention, of the fine arts, and of education. Who shall deny that these latter have been consistently served by commerce?

The business man has made it possible for the artist to give his time to his creation and has established a market

for the artist's productions. The manufacturer has learned scientific secrets which pure scientists might never have discovered. The merchant has disseminated a knowledge of far-off lands which has cleared away the ignorance of centuries.

Many of our great business concerns maintain research departments where scientific study is more eager and more resultful than in the laboratories of the universities. While the immediate purpose of these studies is to add to the profits of the business, the results become common property as a permanent addition to human knowledge.

This reaction of business upon science and art represents a distinct service, which may be regarded as one of its noblest ends. It should not be thought of as a by-product, an incident of no moment, but as one of the major functions of business. Nor should it be reserved for the scientists and specialists employed in the commercial laboratories, but should be a part of the contribution of every worker. Too often the employee is like the faithful negro, who after twenty years of tapping the car wheels on every train that had stopped at his station, one day straightened himself up and inquired seriously, "Say, boss, just what is this tappin' for?" Thousands of workers in our great business establishments have as little idea of their part in the scheme of things. The employer has a duty to encourage the education of the worker in ways which make him a partner in the science of the business, giving him some comprehension of the mechanical principles embodied in the machinery with which he works and affording him mental contact with the outside world whose products he handles. In performing that duty the employer is rendering a veritable service to society. The worker, in his turn, in extending his education and adding to his capacity for sane enjoyment, is performing

an equal service to civilization. Here again is seen Adam Smith's "invisible hand," leading to the advance of the general welfare.

**The Service of Moral Development.**—The third kind of service, as seen by Dr. Adler, is the moral development of the persons engaged in the business. Every commercial and industrial unit should be a microcosm in which principles of organization and of growth are recognized and developed; every worker and associate should have a voice and a share in the organization, not merely for the purpose of avoiding misunderstandings and of maintaining industrial peace, but equally to place moral responsibility upon each one. Moral growth implies the habit of following disinterested aims, of identifying oneself with the interests of the larger group to which one belongs. This does not exalt customary morality, but tends to make the group itself reflective. "A share in the control and government of industry according to the function which one fills is the most effective education in ethics conceivable. Ideal government is not government with the mere consent of the governed, but government as the expression of a deliberate group reason and of an enlightened will to which each one contributes in his degree."

This third service calls for some form of employee representation in the business organization, and the recent wide extension of plans of this sort, of variations of industrial democracy, shows the extent to which ethical ideals have been adopted in the world of commerce and industry.

**Service to the Government.**—To the three kinds of service enumerated by Dr. Adler we may make numerous additions. Perhaps the most evident is that of service to the government. This came prominently into attention during the World War, when the opportunity of business to serve

the country was so much emphasized. By the governments under which it exists, city, state and national, the business is given protection and security. Clearly the business owes service to those governments beyond the payment of legally imposed taxes to maintain them. It must set up standards for the guidance of government departments; it must share in educating the personnel; it must put men trained in business methods into official positions and aid them to carry on in accordance with their training.

One of the largest public service corporations in Boston has provided annually a series of lectures on the United States Constitution, to be attended by all of its employees, and has distributed copies of the Constitution to all of them. Hundreds of employers allow members of their organizations time to attend Military Training Camps, or to participate in National Guard duties. All these are direct contributions to our common government, a form of service of incalculable value.

**Service a Source of Profit.**—The old type of commercial dealer was fond of saying: "I am not in business for my health." With that as exculpation he resorted to trickery and petty fraud for the sole purpose of adding to his immediate gains, and through his methods brought discredit upon all business. Even more ruthless was the one who pushed through every transaction without regard for the consequences upon others, justifying his conduct with the heartless dictum, "Business is business." These men are not so commonly met today, and their attitude is no longer popular, but at least they were frank in their acknowledgment of unenlightened selfishness.

Since higher motives have become popular a species of business hypocrite has largely taken the place of the man who was not in business for his health or whose aspirations



were summed up in "Business is business." This hypocrite is likely to boast of the service he is rendering when in fact he is scamping his service in every possible way. His claims and his after-dinner speeches cannot blind the public to his unethical practices. Like the Scribes and Pharisees condemned by the Master, for a pretense he makes "long prayers" while in secret he "devours widows' houses." The disgust of honest men for such conduct has resulted in a sort of suspicion of all who talk too glibly of high motives in business. It has to some degree brought the word "service" into disrepute, for, after all, business does consist in transactions which are undertaken with the expectation of profit, without which business cannot continue. The total elimination of profit as a motive is so nearly impossible that any claim to its elimination stamps the claimant as a faker.

It is fortunate that there is profit in service. I am willing to pay for that which gives me comfort or adds to my happiness and I grant a fair measure of profit to the one who brings it to me. I do not wish to be regarded as a pauper dependent on the largess of my more fortunate fellows, nor do I ask anyone to sacrifice himself for my benefit. Wanamaker and Field and Ford and Morgan have made fortunes because they found ways of rendering service for which the public was willing to pay, and every man in business may profit similarly. The foundation is the rendering of service; but by skilful business methods, scientifically devised and honestly maintained, the service must be offered at a profit. The two are not antagonistic but complementary.

Although the implication is self-evident, it may be well to add that the profit must be *fair*: an abnormal profit may be taken only by questionable methods. It is true that it is not easy to determine what constitutes a fair profit, but

that is one of the interesting problems for the business man to solve.

**Gambling.**—With service as the basic principle, it is clear that gambling falls outside business limits. The gambler renders no service, unless the exhilaration from the excitement of gambling can be considered desirable—a claim that general experience sadly disproves. The gambler entirely lacks the altruistic spirit, seeking profit for himself without fair exchange, without rendering service.

A charge sometimes made against the Stock Exchange is that it promotes gambling, and the only answer to that charge which can possibly clear the Stock Exchange of odium is that, in fact, it is rendering a service—that the public and the legitimate traders in concrete products need the services of the Exchange. If that is proved to be true the right of the Exchange to a place among honorable business concerns is also proved.

**Altruism.**—The characteristic which gives first place to the welfare of others is called Altruism. It is the opposite of Egoism. The altruistic person recognizes that others have rights equal to his own and is careful not to infringe upon them, but he goes further than that. He realizes that he, as an individual, is of less importance than the group, the community, and he stands ready to sacrifice his own peculiar interests for the general advantage. Such a character is universally commended; it is generous, noble.

But altruism may be carried too far; one may give so much thought and consideration to the affairs of others that his own are neglected. One may make himself an intolerable nuisance by attempting to do for others what they both prefer and ought to do for themselves. Unrestrained altruism would result in chaos; far better is the "invisible hand" leading every man to work for the general welfare while

seeking to promote his own. But there is little danger of unrestrained altruism, and most of us may for some time yet seek to cultivate the virtue without fear of developing it to excess.

**Philanthropy.**—Every man is under obligation to do good to others in all reasonable ways. Family ties are not to be forgotten, and the human family is synonymous with the race. He who loves his fellow man is literally a philanthropist, but we bestow the term particularly upon those who give most freely of their substance in prominent ways. Often it is undeservedly bestowed, for the man who gives of his wealth for the purpose of securing favorable publicity, who carves his name on the church or the library or the school, may be actuated not by love for his fellows, but by the supremest egoism. Yet we are not always in a position to judge men's motives and happily do not have to. The world has been blessed with thousands of sincere philanthropists, a large proportion of them men who have amassed their means through the transaction of business.

Philanthropy has become almost a recognized characteristic of the business man—a long remove from the days when he was little if any better than a highwayman. Yet the good business man will not confuse philanthropy with business; he knows that they may be closely associated but that they cannot be mixed without injury to both. He does not wait until he has completed his commercial career to begin practicing philanthropy, although when that time comes he may make philanthropy his sole business; but as his affairs prosper he finds ways to contribute to the needs of the less prosperous without looking for financial return. And so just are the ways of Providence that the "Bread on the waters" may be precisely that which shall bring the greatest recompense.

| <i>Characteristic</i> | <i>Manifestation</i>         |
|-----------------------|------------------------------|
| Philanthropy .....    | leads to ..... Sacrifice     |
| Altruism .....        | leads to ..... Fair exchange |
| Egoism .....          | leads to ..... Trickery      |
| Selfishness .....     | leads to ..... Robbery       |

### Summary of Chapter V

Modern business claims to have found its prime motive in Service, a much misunderstood term which is given many diverse meanings. True service, however, is an integral phase of every sound business transaction.

Ethical leaders have recognized various kinds of service:

1. Direct service in the production and exchange of goods and services. This essential of business has ethical significance in so far as the exchange is beneficial to both parties.
2. The service rendered by business to science and the arts. This service has had the greatest effect in the development of scientific methods, the invention of labor-saving machinery, and the unfolding of all forms of art. Though often indirect, it is one of the most potent forces of civilization. Many business concerns have departments devoted directly to this service.
3. The moral and social advance of individuals connected with the business. This is a duty which the business man cannot escape.
4. Service developed in the relations of the business man with the government.

Service is not inconsistent with profit, but demands that profit be mutual, thus eliminating gambling and trickery.

Altruism, rather than philanthropy, should be the distinguishing characteristic of business.

## CHAPTER VI

### THE INDIVIDUAL AND HIS RELATIONS

**Man a Social Being.**—All the virtues and all the vices develop from the relations of the individual and his environment. Robinson Crusoe's conduct was good or bad in the degree to which it resulted in advancing or retarding his welfare; but so long as he was the sole human inhabitant of his tropic island, there was hardly a problem of right and wrong to consider. With the advent of his man Friday the condition was changed and questions of social standards arose.

The most persistent individualist cannot escape contact with others. To be sure there is a school of philosophers, known as Solipsists, who maintain that nothing exists except the individual and his ideas: that the things and persons which appear to populate the world are all within himself; that his conversation with other human beings, his romps with pet animals, his buffeting of storm and basking in sunshine, are all phases of a dream in which he is the only reality. When boarding subway trains in New York I have sometimes thought myself attending a convention of Solipsists; I count myself fortunate not to have other contacts with this particular type of philosopher! No one lives to himself.

A practical study of individual ethics resolves itself into a consideration of the relations of the individual with all that surrounds him. In every contact there is a right and a wrong—a virtue and a vice. The right conduct does not involve unlimited altruism; on the contrary, right conduct always tends to self-preservation and self-development—



even when right conduct leads to bodily death. Seriously and honestly interpreted, it is true that "Self-preservation is the first law of Nature." That we may not be led into unwholesome sentimentalism, into the realm of cant and hypocrisy, it is well for us to realize this fact. The solutions of ethical problems must work out in practice; else they are no solutions.

**Relations with Other Individuals.**—In a social existence the contact of each person with other persons is a most important element. We cannot live a detached life. Our happiness and our influence are dependent upon the maintenance of satisfactory relations with all whom we touch. In this fellowship there may be progress, prosperity, comfort, or there may be the opposite; but the fellowship must be recognized.

The great principle upon which human relationships may be maintained with universal profit is found in the concise command of Jesus, "Love thy neighbor as thyself." Literally followed, this precept requires us to give thought to the welfare of others, to exert ourselves to shield them from harm or to procure their good—to do all this with the same interest we feel for ourselves. Within reason such an attitude is possible. Love may be the basis of all our contacts.

Kant, in another of his famed maxims, expressed the principle: "Treat humanity, whether in thyself or in others, always as an end, never as a means." No one is willing to be made a tool of another, to be used for a purpose unrelated to his own good. We must treat men as men, not as instruments for our own advancement. Bentham, in developing the Utilitarian principle of the greatest happiness for the greatest number, phrases it: "Let every man count as one, and no man more than one."

All these precepts demand the equality of one man with another; they would banish all privileged classes, and give every mortal equal rights and equal opportunity; and in that condition we have the ideal social life. They do not rule out community or national organization; they do not eliminate discipline; they do not forbid punishment of the offender; they do not encourage sentimentalism. They are rational, practicable, and workable in all possible circumstances.

**Relations with Family.**—While the principle of universal love may govern all your relations with other human beings you are not required to lose sight of the fact that in our social organization there are groups and individuals towards whom your obligations are more direct and immediate, if not greater. You may love all the inhabitants of China and when they lack you may show your love by liberal contributions to their relief: but you cannot undertake to supply all their needs—perhaps not all the needs of a single person. Even in your own community you cannot assume the responsibility for supporting and protecting all the unfortunate ones, though you may join with others in that humane undertaking. There are limits to the finite mind, the finite heart, the finite hand: your range of action must have its center where your interest naturally focuses.

This center, in modern life, is the family. Beginning with the voluntary acceptance of responsibility when one man and one woman unite in marriage and in providing the source of life for the race, the members of the family stand in peculiar relations to one another. Each has the duty of contributing in every way to the welfare of the group: each owes moral and material support to all the others. Even here, however, in spite of this mutual obligation to all the others there are limits beyond which you

must not go. You may defend your brother or your son against all evil, but you may not uphold nor aid him in evil. You may help him to honorable position, but you are not justified in displacing another to make room for your own kin. Nepotism, the unfair favoring of near relatives, is both ethically indefensible and economically unsound.

Besides love and service you owe loyalty to your family: a loyalty that will stimulate you to honorable action, but will not exclude from your consideration the claims of others. Devotion to the family does not imply neglect of outside interests—indeed there is an absolute need for outside interests in order that one's contributions to the family welfare may be adequate.

**Relations with Friends.**—In arranging the books on your library shelves you are not guided solely by correspondence in size, nor do you seek to put together all the works of various publishers or authors; rather you group the volumes which have a common subject—art on one shelf, philosophy on another and poetry on a third. In a similar way we place ourselves in those small groups bound together by ties of friendship. We select our friends because of similarity of tastes or purposes. We hold to our friends for what they are to us, not for what they can do for us. The test of friendship is dependability; a friend is one on whom you can depend, and one whose interests you can make your own.

We are right in seeking every good for our friends—right to an even greater extent than seeking good for ourselves, with only the obvious restriction that in such effort we shall have scrupulous regard for the rights of others. It is sometimes said that there is “no friendship in business”; this means, however, only that one must observe customs and regulations adopted for the general good without

making exceptions for his friends, and no true friend will ask for such exceptions. But in business, as in every social exercise there is a place for friendship. There, and in all life's activities, the winning and holding of friends provides the greatest satisfaction and most permanent reward that man can know.

**Relations with Nature.**—Modern life is largely artificial, and city dwellers, at least, are far removed from direct contact with Nature. They are in danger of failing to realize the close relations which exist between mankind and Nature, the utter dependence of man upon Nature. Without appreciation of natural beauty and symmetrical completeness there is lost the greatest source of inspiration and the greatest stimulus of right living. Intimate acquaintance with trees and flowers and birds may not add directly to the income of the accountant, but it may serve to keep his mind fresh and keen, to prevent stagnation of his mental processes. Incidentally, it may awaken ideas which he can apply even in the routine of his vocation. In any case it will open a door to a realm in which the soul may develop and expand, making the man infinitely more a man.

As every industry must lead back to Nature it is quite impossible to conceive a culture which is ignorant of Nature. Acquaintance with the natural world gives one the truest basis of culture and education. You owe it to yourself to make your relations with Nature intimate and fruitful.

**Relations with Property.**—Your "belongings" should belong to you—not you to them. Many an individual sacrifices his freedom in slavery to "things." The Preacher's plaint "The love of money is the root of all evil" is as true today as it was three thousand years ago. Many a man who seeks success in economic affairs so focuses his interest upon

the golden goal that he fails to see that the attainment of that goal can never satisfy his whole nature.

Education should raise one above the level of the money grubber. There may be a sort of training, a pseudo-education, which is designed to make one a man of wealth—but no genuine education can be satisfied with that object. An education that magnifies the golden calf is not merely pagan: it is inadequate, fallacious, puerile, futile. It lacks an ethical foundation and usually fails in its material purpose.

Yet there is no inherent evil in prosperity: money is good; the philosophy that pretends to scorn it does not run very deep. It is the *love* of money that is the root of all evil. It is the closing of the mind to all else that is despicable. It is the cramping, crippling, confining of the soul that is at once a crime and a folly. Wastefulness is as wrong as is miserliness. Thrift is a virtue—almost, in practical life, the foundation of virtues.

The right attitude towards property treats it always as a means, never as an end. For what you can accomplish with it wealth is desirable. Economy, honest acquisition and careful expenditure, leads to prosperity. Only in this way can capital be acquired and the welfare of the community and the nation served.

**Relations with Food and Drink.**—When Plato and Franklin put temperance as the first item on their lists of virtues they undoubtedly included in their conception of the virtue much more than relations with food and drink. But the word has come to have a narrower connotation in these days and may be used to express the ideal attitude in connection with eating and drinking. Hygiene has joined with Ethics in declaring the supreme importance of temperance; of late economics has taken the same stand. Health, morality and prosperity are seen to be dependent upon tem-



perance. The evils of intemperance are potent and evident, yet hosts of men, otherwise sound in sense, let themselves be mastered by these evils.

You owe it to yourself to practice temperance in eating; to choose your foods with careful consideration of the needs of your body and to limit yourself to the quantity that provides adequate nourishment. Since you can do neither without a serious study of the problem, for the rule is not the same for any two people, this study is justified; but there is danger of overdoing it. Beware of the food faddist. In this important matter get scientific information, and make rational tests upon yourself; only so can you safely establish standards for your guidance.

You owe it not only to yourself but to your family, your friends and to all society to practice temperance in drinking. In regard to alcoholic liquors there is but one standard at once ethical and economic, total abstinence. It may be granted that this is not temperance, but it is the verdict of the wisest and most practical men, for temperance, moderation, in the use of alcohol, is proved, for a large proportion of the population, to be impossible.

But moderation may be the rule in the use of other stimulating drinks and of tobacco. In each case, test yourself by occasional experiment, carried out with scientific exactness of investigation and record, and determine what effect these stimulants are having upon you, if any; then modify your use of them accordingly.

The safe standard is that of historic philosophers and modern efficiency—"Nothing in excess." No better rule can be deduced to govern our relations with food and drink.

**Other Relations.**—With the whole of life as a network of relations between ourselves and our environment, it is impossible to catalogue them all. That was, indeed, the

effort of religious teachers of the Middle Ages, who spent their lives in attempts to list all possible cases in which a moral judgment was called for; but they were unable to make the list complete. Their contribution is known as "Casuistry" (from the Latin *casus*, case), a word which has come to be almost synonymous with evasion, for the Casuist can too often evade the penalty by pleading a minute difference in his case from that presented as a criterion.

Without attempting to evoke rules for all relations and cases, we may be satisfied to establish principles which will guide us aright; the development of such principles is the great function of Ethics.

### Summary of Chapter VI

Since man is a social being his life is one of constant relation with other people. Individual and general happiness depends upon the attitude in these relations.

In general, rational love, universal respect and a recognition of equality are the bases for right relations with others. With family and friends, the feeling may invoke more sentiment, but is fundamentally the same.

Man needs familiar contact with Nature both for his cultural development and his practical interests.

Thrift as opposed to wastefulness should characterize our relations to property. Modern industrial society relies upon thrift for its supply of capital.

Temperance must be the general rule in eating and drinking but should be modified to the extent of total abstinence in relation to alcoholic liquors.

Because it is impossible to establish rules to cover all possible cases, our relations must be in general governed by principle rather than by specific rule.

## CHAPTER VII

### THE ETHICS OF EMPLOYMENT

**Individual Freedom of Action.**—There is a story, of somewhat doubtful authenticity, of a railroad official at a meeting where methods of preventing collisions were being discussed. This official remarked that the subject did not interest him, as collisions on his road were impossible. When pressed for details, he modestly explained that his company possessed only one locomotive. Thus his claim was obviously and literally true. The right of way of the one locomotive could not be disputed.

But in an active railway system much attention has to be given to this problem of the right of way. The maker of schedules must consider the demands of every station, the requirements of every yard of track, the power of every engine. The train dispatcher must know the exact location of every train, and must time the arrival and the departure of each one at every intersecting point. As soon as two locomotives are employed on a single road there arises a problem which cannot be overlooked without disaster.

Similarly, since we are living and moving in a society made up of innumerable individuals, our conduct must be governed by some clearly understood regulations, or collisions will be certain. These regulations may be expressed as rights and obligations. The individual may be free to act, but his freedom is restrained and modified by the needs of society.

Freedom is a general term including many minor "freedoms" or rights. Tribes have contended, nations have risen or fallen, for the extension of rights. The American Dec-

laration of Independence proclaims these truths to be self-evident, "That all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness." For these rights, that is for freedom, there was no hesitancy in going to war, no refusal to make any sacrifice. A man is justified in contending for whatever is really his right, but he should never fail to assume, with equal readiness, the duties or obligations that fall upon him.

**No Rights Without Obligations.**—So closely united is the human family that every right which one may claim in relation to other persons carries at least an equal obligation.

Thus with the right to live there is the obligation to earn a living; with the right to marry there is the obligation to support a family; with the right to protection by the government there is the obligation of loyalty to the government; with the right to free speech there is the obligation to speak the truth and to avoid slander. The ethical balance is in true adjustment only when rights and obligations are equally and fairly recognized, and as much effort made to fulfill the latter as to maintain the former. Of special interest in commerce and industry are the rights and duties connected with employment.

**A Modern System.**—In present day society employment for wages is the normal relationship of a vast majority of our people. Of some 41,000,000 in gainful occupations in 1920 at least 30,000,000 are reported as wage earners. For a livelihood these millions depend on their personal labor, which they must sell. Unlike objective merchandise, labor cannot be stored, saved or accumulated: what is not sold on a given day is lost forever. Hence the importance of a ready market where the demand is heavy and constant.

The wage-earner does the work that once was done by

slaves; his freedom is one of the triumphs of civilization and a great ethical gain. No man has a right to claim ownership of another man, nor has anyone a right to the unrequited labor of another. To this extent, at least, all men are created equal. Yet slavery was not without its advantages—economic, social, artistic, even ethical advantages—and in some ways the advantages accrued to the benefit of the slave himself.

Thus, it is clear that one reason for the high development of art, literature, and philosophy in ancient Athens lay in the fact that Athenian citizens were able to devote their time almost exclusively to cultural matters, leaving all manual labor, as well as the industrial and commercial arts, to their slaves. And in our own country, where slavery existed there grew up a refinement which, if not always profitable, was none the less pleasing—at least to the slave-owning class.

The slave, whether of Athens or of America, was usually assured of a degree of consideration, a certain care for health, and provision of shelter, food and clothes, all at least sufficient to keep him in fair working condition. The owner could seldom afford so to treat his property as to render it unfit for active employment. To that extent, then, the system was advantageous to the workers. Modern workmen face a condition in which they must do for themselves all that the owner did for his slaves. That they have not always succeeded is not a fatal charge against the wage system, but it is enough to indicate that the problem is not yet fully solved, a fact conceded by fair-minded employers no less than by intelligent employees.

**The Right to Work.**—There was no unemployment problem for the slave, nor indeed for any man before the Industrial Revolution, but for the past century this has been one



of the most distressing of social problems. The man who has had only his labor to sell has often been unable to find a purchaser; in every industrial center there are men and women, able-bodied, intelligent, eager to work, who have found no one to employ them and have had no means of employing themselves. It is true that many of these people have lacked education or training and many have not too greatly desired work, but it cannot be denied that great numbers who apparently are able and willing have suffered long periods of unemployment. The economic loss from this cause is incalculable, but it is equally a problem in ethics, for justice, morality, and honor cannot thrive in a community where hosts of people can find no way to earn an honest living.

The first tenet of the ethics of employment may well be stated as the right to work. *Every adult person has a natural right to earn a living for himself and his dependents by means of his individual labor.* He may not be deprived of this right without injustice, and when so deprived he appears to have a legitimate claim against society.

**Who Is to Provide Work?**—Can the right to work be so presented as to indicate a corresponding duty incumbent upon any other individual to furnish employment? The slave-owner and the feudal lord accepted the obligation to provide both work and sustenance, but the modern employer recognizes no such duty. The source of the natural right to work may be found in the right to subsist upon the bounty of the earth, which must be regarded as a common heritage to the members of the human race. Private ownership of land has displaced community ownership, not from any abstract right of one individual to exclude all others from a given section of the earth's surface, but because it has been found, in practice, the only way to induce men to put forth

their utmost endeavors to supply their wants and those of their fellows. "Private property is morally legitimate because it is the method that best enables man to realize his natural right to use the gifts of material nature for the development of his personality. It is, therefore, merely a means, and its scope is determined and limited by the end which it promotes, and which is its sole justification."<sup>1</sup>

Deprived, then, of his apparent right of direct access to a share of the productive earth, often lacking even tools for production, how can the individual enforce his right to work and earn a living wage? As a matter of fact, he cannot enforce it; he is largely at the mercy of the owners, or managers, of productive property. This, at least, was the case until by organization with others in a similar situation, the individual became a member of a group powerful enough to demand and receive respect.

The private owner has a claim to his property superior to that of any other private person; but his claim does not justify him in holding it, in unproductive idleness, when the needs of the community require its use. Society has a right to demand the use, or even the title, to all property. Hence, he who would claim private ownership is under obligation to employ a proportionate number of the population dependent upon that portion of the earth's resources. The individual, so long as he does not forfeit his claim by improper conduct, has a right to an opportunity to earn his living; trade unions and similar organizations have developed a considerable degree of power in enforcing the rights of the individual; and the state has maintained its ultimate right to provide employment, or in its stead when urgently necessary, subsistence, at the expense of private owners.

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<sup>1</sup> Quoted from "A Living Wage," by John A. Ryan, D.D., LL.D., page 32, Macmillan: 1906.

**Qualification of the Worker.**—With the right to work there is a corresponding obligation to learn how to work. If I know nothing of locomotives, I cannot claim a right to be employed as an engineer. So the first need of the individual, and the first duty of society, is for education, varied enough and extensive enough to train every person to perform some useful function in the industrial organization.

Evidently the individual has at least a theoretical right to choose the place and kind of work that he will do, yet probably a majority of workers have never really exercised such choice. Chance, propinquity or immediate necessity have commonly determined our vocations. In a study conducted by the author, of several thousand workers in all types of occupations who were asked to give reasons for adopting their vocations, barely five per cent indicated personal choice. Significantly, only about one in ten expressed satisfaction with his vocation; nearly ninety per cent wished they had gone into some other employment.

**The Return for Labor.**—Supplementary to the right to work is the right to fair recompense. There is no advantage to the worker if the return for his time and his effort is insufficient for his needs. While, however, this right has been admitted in theory by everyone, the demand for its actual realization has yet caused more strife in industry than all other demands of workers or restrictions of employers. It is so nearly impossible, in complex industry, to determine a fair return, that many have abandoned the effort.

With labor regarded as a commodity the worker has naturally tried to sell at a price which will meet his needs, while employers have tried to buy at a price which will enable them to make a profit from it. Because the individual was at a disadvantage in fixing a fair price, combinations took up the fight and through organized effort met with greater

success. But a satisfactory wage scale is almost if not quite non-existent. Few people believe that they are paid as much as they are worth, yet nearly all who pay wages claim to return in pay all that the labor has produced.

**Estimates of a Living Wage.**—The needs of men and their capacity for efficient use of money are too varied to permit fixing a definite sum as a fair wage for all. In America we feel that the working man—one of the class to which most of us belong—has a right to a home; to a family; to self-development in comfortable surroundings; to some leisure for recreation; to some share in the commoner luxuries of life. His wage must be sufficient to provide these things.

John Mitchell, a former president of the United Mine Workers, expressed the American ideal in clear language. "In cities of from five thousand to one hundred thousand inhabitants," says President Mitchell, "the American standard of living should mean, to the ordinary unskilled workman with an average family, a comfortable house of at least six rooms. It should mean a bathroom, good sanitary plumbing, a parlor, dining-room, kitchen, and sufficient sleeping-room that decency may be preserved and a reasonable degree of comfort maintained. The American standard of living should mean, to the unskilled workman, carpets, pictures, books, and furniture with which to make his home bright, comfortable, and attractive for himself and his family; an ample supply of clothing suitable for winter and summer, and above all a sufficient quantity of good, wholesome, nourishing food at all times of the year. The American standard of living, moreover, should mean to the unskilled workman, that his children be kept in school until they have attained the age of sixteen at least, and that he be enabled to lay by sufficient to maintain himself and his family in times of ill-

ness, or at the close of his industrial life, when age and weakness render further work impossible, and to make provision for his family against premature death from accident or otherwise."

**The Right Acknowledged.**—Every great employer has in practice recognized the right to a fair remuneration and many have made special efforts to carry it into effect. The law of supply and demand still largely influences the wage scale, but through profit-sharing and bonus distributions, the worker is given a constantly increasing share of the product of the common effort. Pension and insurance plans are invoked to protect the individual against misfortune. Minimum wage laws are accepted with little or no protest. No progressive owner, employer or manager wants other than efficient and well-disposed workers; to obtain such workers a fair return is recognized as the first requisite.

**Physical Conditions.**—The worker, not being directly in control of the conditions under which he must spend his working hours, has a right to demand that the employer provide in all possible ways for his safety, health and comfort. Every improvement in working conditions has proved as beneficial to the employer as to the employee, yet employers have seldom moved in this direction except under compulsion. Owners of shops refused for years to provide seats for the use of clerks behind the counters in their unoccupied moments. Street-car companies for years refused to put their drivers, or motormen, inside a vestibule; factory managers were long unwilling to install safety devices on dangerous machinery. As a rule, only law or union regulations have brought about favorable conditions.

In bituminous coal mines there are frequent explosions of coal dust, causing great loss of life; hardly a mine has been free from these explosions, despite the fact that they



can be surely prevented by the comparatively simple and inexpensive process of "rock-dusting." In England, rock-dusting is enforced by law and explosions are now unknown; but in the United States, in twenty-four of the twenty-seven coal-mining states, there is no law on the subject, and the coal dust remains a constant source of great danger to the workers.

Only by legislation, or some other potent enforcing agency, can the right of the worker to safety and reasonable comfort be assured.

**The Right to Permanence.**—While wage-earners are seldom employed on long-term contracts, there is an implied obligation on the part of the employer to provide continuous employment and to retain loyal workers as long as they desire to work. Many industries experience seasonal peaks and depressions; employers have regularly discharged large numbers of their workers when business slackened, and re-employed them, or others, when the demand again warranted additions. While to some the recurring periods of unemployment may have been welcome, to a large number they brought hardship. The right to continuous employment is now generally recognized, and in most establishments work so budgeted and planned as to provide it.

Even more evident is the right of the worker to hold his job as long as he works honestly and efficiently, and there is work for him to do. He must not live in fear of arbitrary discharge. The worker can not readily change from place to place; when he has built himself into an organization where he functions well he has a right to a permanent place.

Employers may differ in their practice regarding promotion, but none deny the right of the worker to look for promotion within the organization. Human nature demands recognition and an opportunity for advancement. The

worker has as clear a right to promotion as an acorn has to become an oak.

**The Unemployed.**—Recognizing the theory that every man (and every woman) has a right to work, we face the fact that thousands are unemployed. Because of industrial conditions factory operatives are frequently left without work because factories are forced to operate on part time, or even to close altogether for long periods. Often a labor-saving invention displaces many workers. Climatic aberrations may reduce the need for farm laborers. The population may increase faster than the normal demand for productive workers. Neither the individual nor the group can be assured of protection in such cases, but the obligation of society is clear—work must be provided.

One attempt at solution has been the creation of employment bureaus, on a nation-wide scale, to bring the job and the jobless together. Another effort, rather a palliative than a solution, has been the provision of public works, such as the erection of public buildings and the extension of roads, in periods of general unemployment.

Every employer, especially if employing a large number of unskilled hands, must accept the obligation of maintaining his operations under adverse conditions; he is ethically reprehensible if he fails to provide the work upon which his fellows have come to depend. To keep the wheels of industry in constant and uniform operation is at least as important as to make profits for himself and his stockholders.

**The Unemployable.**—A very real problem, jointly in the fields of economics and ethics, is found in the hosts of men and women who, under competitive conditions, cannot be profitably employed. What rights have the cripple, the physically or mentally feeble, the inebriate, the age-worn? 'They

constitute so large a percentage of our population that the cost of maintaining them adds appreciably to the burden of every producer.<sup>2</sup>

One of the first duties of society, one which has as yet been touched upon but lightly, is to find ways of providing suitable work for the handicapped. Employers can place many of these unfortunates in occupations for which they are not incapacitated, transferring, when necessary, able-bodied men to other kinds of work.

For all who will not work, though able to do so, it seems fair to apply the dictum of St. Paul: "He that will not work, neither let him eat." The success of Captain John Smith, as governor of the Jamestown colony in Virginia, in enforcing this apostolic injunction, was the only means of saving the colony from death. It is not easy for private individuals to compel any to work, but they can, at least, refuse to feed the persistent loafer. Neither Christian charity, nor sound ethical sense, commands the prudent and industrious person to support the idle one. The "pan-handler" who whiningly asks for a dime "for a cup of coffee" should arouse less sympathy than suspicion. The bees have an effective way of dealing with their drones; unfortunately, in human society a similar proceeding cannot be approved, but only when they have seriously and honestly attempted to exercise their right to work should the human drones be granted their full right to live.

### Summary of Chapter VII

In all human relations personal freedom establishes rights which may properly be claimed by each individual; but for every right there is a corresponding obligation.

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<sup>2</sup> In Massachusetts, in 1925, approximately one inhabitant in every twelve, for some reason unemployable, was supported in whole or part at public expense.

One of the most important is the right to work which is derived from the right of every person to a share of the earth's production. Private ownership does not justify one in withholding land or goods from production; owners are, in a degree, obligated to furnish employment.

The person who has qualified himself for productive work has a right to permanent employment, at a fair recompense, under favorable conditions, with reasonable opportunity for advancement.

Society must recognize an obligation to individuals who are for any reason unable to support themselves by their own efforts; but is right in forcing all who are fitted to work in earning their living through productive employment.

## CHAPTER VIII

### THE SETTLEMENT OF DISPUTES

**A Common Interest.**—The boy who one winter morning was late in arriving at school excused himself by saying that it was so slippery that he slipped back two steps for every one that he took forward—and that he finally reached his destination only by turning around and walking backward! Some of us who are familiar with the icy hillsides of New England may feel considerable sympathy with this youth and a degree of admiration for his adroitness; but whether his plea saved him from punishment is not related.

His situation, however, has too often been that of an industry or of a business house. When the forward steps of skillful planning, wise investment and careful management have made success seem certain, some disagreement or misunderstanding between management and workers has proved the icy hill on which the whole organization has slipped back, perhaps even to complete failure. That capital and labor, management and men, have a common, even an identical interest, is often not recognized. The relations between these groups have been similar to the relations between buyer and seller, dating back to a period of mutual distrust and antipathy—each seeking profit at the expense of the other. With the beginning of the factory system in industry and the development of large-scale commercial undertakings, there was lost a large part of the personal intercourse which is the surest basis of mutual understanding, and there developed in its place a class feeling of mutual antagonism. The employer, beset with difficulties in securing and retaining capital, was bound to hold his costs for labor



at the lowest possible figure; and the employee, oppressed with the problem of maintaining himself and his dependents on his small wage, was ever ready to demand more pay, regardless of his producing capacity.

While almost all disagreements directly or indirectly relate to the earnings of the workers, there have been many other subjects of dispute of sufficient moment to disrupt peaceful relations between management and men: such matters as hours of work, employment of women and children, unmerited dismissal, and recognition of organizations, have been fruitful sources of trouble. With all these opportunities for misunderstanding it is not surprising that the common interest of capital and labor in every project in which they are engaged has often been obscured or overlooked.

**A System of Private Warfare.**—As a result of attempts to maintain and advance class interests instead of a common interest, there developed a form of strife that has had all the aspects of private warfare. Men have always fought: of old there was no other way to settle a dispute, and all the teachings of civilization, the precepts of Christianity and the restrictions of government have not been sufficient to overcome the fighting instinct. In all history and literature stories of tribal wars are the usual thing. In the Middle Ages every man was liable to be led to battle by his feudal lord; in colonial days in America survival depended as much on fighting ability as on industry and vision; and in our own time private and family feuds have not been unknown.

But private warfare has proved so costly and so unsatisfactory that the good sense of the race has condemned it and society has everywhere made persistent efforts to end it. The time has come when men no longer buckle on swords before venturing outside their homes, and when the musket is not set at the entrance to the church pew. In spite of oc-

casional reversions to barbarism, peace has been the accepted state of society for the past century and the persistent fighter finds society arrayed against him. Courts have taken the place of the ambush and the duelling field; the individual has turned over to the State the duty of protection of the weaker from the stronger and the result has been seen in increased safety, prosperity and happiness.

The organization of workers was a natural and necessary step in industrial development. The various unions, representing the immediate interests of individuals, who, alone, could not make their protests effective, have done much to benefit society, and for a considerable period these unions could make their influence felt only through a form of warfare. Their greatest weapon has been the strike, a forceful argument against which employers found no sufficient defense. Efforts to prevent strikes by legal enactments have been of no avail, and attempts to overcome them through the employment of strike-breakers have been successful only when the interests of the public were clearly opposed to the striking groups.

**The Right to Strike.**—Morally it is the duty of every man to work: only so can he claim the right to a living. But in a free country (with certain generally known exceptions) every man has a right, also, where he so prefers, to refuse to work.

Lacking a specific and legally enforceable contract, the individual cannot be compelled to continue work which he prefers to abandon. The immense labor turnover in all our industries, a cause of great economic waste, indicates how generally this right to quit work is exercised; and although employers deprecate the loss they have never denied the abstract right of the individual to follow his own judgment in the matter.

While managers have frequently found it difficult to maintain a working force in the face of individual changes, they have rarely been seriously hampered by the decision of a small proportion of their employees to leave their employ. But when the entire body of employees refuse to work the situation is vastly more serious; in such a case the business has to stop. And if the strikers have a just grievance which apparently can be removed in no other way, their right to resort to strike has generally been acknowledged and has, in a majority of cases, been successful.

But not all strikes have been for legitimate cause and there is a very real question about the right of an organization to order men to quit work when they have no direct grievance. The so-called "sympathetic strike" may sometimes be justified; too frequently it is unjust and inequitable, bringing loss and suffering to hosts of individuals and communities wholly innocent of any wrong-doing.

That public servants, police, firemen, and soldiers, have no right to strike has been pretty well established. Few dispute the terse decision of Mr. Coolidge, when Governor of Massachusetts, that no one has a right, anywhere, or at any time, to strike against the public welfare. That there is justification in imposing equal restraint on workers in industries essential to public welfare is at least debatable; and that in all industries there should be a saner method of settling disputes is obvious.

Strikes are not as popular as they once were: in 1919 more than 4,000 strikes in the United States and Canada were reported; in 1925 fewer than 1,000 were reported. The smaller number may be largely due to more generally settled conditions, but it is in part, at least, due to a more intelligent and more ethical approach to the problem, which has brought about the substitution of arbitration for industrial warfare.

**Examples of Arbitration.**—A few years ago a large textile manufacturing company, in Manchester, New Hampshire, found it necessary to reduce wages. The announcement of the reduction caused great dissatisfaction and resulted in a strike which was long continued and bitterly fought. When at length it was settled, the management and the employees, both realizing how much had been lost and how little gained by the strike, agreed upon a plan for settling all future disputes by arbitration. Through the operation of this plan, industrial peace has been maintained, even with another wage reduction. When the company considered the reduction necessary its representatives and representatives of the employees sat down together, considered all the facts, and reached an amicable agreement, which involved a cut of ten per cent in the current wage scale. The workers undoubtedly lost much less than would have been the case under the old method of warfare and the business was enabled to continue without disruption.

As this is being written a disastrous strike is in progress in Passaic, New Jersey, a textile center where conditions are similar to those of Manchester. The strike was called because there was no machinery for bringing management and workers together; both sides were suspicious and belligerent, and the strike which is causing untold suffering and widespread economic loss, was inevitable.

Disputes are particularly likely to arise in a new industry or in organizations in which methods of operation have not been fully standardized. The motion picture industry furnishes an excellent example of large-scale production, irregular operation, heavy investment, and difficulty in foreseeing conditions. Causes for disagreement are many; in 1925 there were reported no less than 11,887 disputes involving \$2,542,544. But recourse to the courts was had in only 18 of these

—one before and 17 after arbitration. Formal awards were rendered in 5,450 cases, while 4,269 were settled by the disputants before submission to boards of arbitration and the remainder were withdrawn, dismissed or otherwise disposed of. The industry maintains 33 boards of arbitration in various strategic cities in the United States.

There probably never was an industrial dispute in which each side was not in some way at fault. Each has had a case in which both right and wrong have appeared. Each, to strengthen the case, has added in every possible way to the charges against the other and so has beclouded the issue. The final appeal has been more to prejudice than to reason, more to force than to right. Under the counsel of a conciliator, an unprejudiced third party, the extraneous matter might be thrown out, the rights of each side recognized and a workable compromise suggested. It is the purpose of conciliation, or of arbitration, to bring about such results, if possible before a break has come.

**Machinery for Arbitration.**—In a small business there should be no opportunity for serious disagreements between employer and employee, for there the personal relation can be maintained and agreement reached on the basis of direct mutual understanding. Even in the largest organizations nothing can quite take the place of this personal human interest, but to secure it in the large concern is difficult and sometimes apparently impossible. While through various forms of employee representation, management and men may learn much of each other and may come to appreciate to some extent each the problems of the other, there is always a danger of misunderstanding, for which provision should be made. It is desirable to call in conciliators when trouble has arisen, but much better to avoid the trouble, and that can usually be done by including in all wage agreements



a provision for the arbitration of any questions affecting the contract or its modification or renewal. To aid in making arbitration more readily available, national and state laws have established arbitration boards, and many commercial organizations have appointed committees.

Of particular importance is the United States Arbitration Act, which went into effect January 1, 1926. By this act, written agreements for the arbitration of disputes involving \$3,000 or more, are made valid, irrevocable and enforceable.<sup>1</sup>

Secretary Hoover recently declared that he believed the new United States law represented an important step toward the elimination of business waste. "The information collected by the Department of Commerce over the past several years," he said, "clearly shows that the substantial element of the American business public is overwhelmingly in favor of arbitration in the settlement of commercial disputes in both domestic and foreign trade. In addition it has the approval and support of the leading members of the Bar throughout the United States."

**Advantages of Arbitration.**—The economic advantages of peaceful settlement of disputes are obvious, but it may be pointed out that this method is based on rights involved rather than on superiority in numbers or in funds, and that it enables the parties to part as friends rather than as enemies. It thus represents a real ethical gain, perhaps one of the greatest of ethical advances. In displacing the costly custom of industrial warfare it saves to society the immense money losses which strikes have caused, and introduces a community of interest which raises the moral tone of business to a level much above that formerly known.

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<sup>1</sup> For the text of the United States Arbitration Act, see page 186 ff., of this volume.

### Summary of Chapter VIII

That the interests of employer and employee are identical is a fact that has been much obscured. Class antagonism has often been cultivated in place of community of interest.

The strike—a form of industrial warfare—is the method of settling disputes to which resort has been most common. The right to strike has generally been recognized, but the results of strikes have been costly and unsatisfactory.

Where arbitration has been adopted in the settlement of disputes, compromises satisfactory to both parties have usually been made. Strikes have been prevented, or settled, without ill-feeling, and loss to all parties—employers, employees and the public—has been reduced to the minimum. There are now in effect both Federal and State laws favoring arbitration.

## CHAPTER IX

### THE ETHICS OF PRODUCTION

**The Service Motive.**—The ethical note in business is largely or wholly due to the general acceptance of service as the basic motive for business. If it be not granted that the purpose of business is to serve, the consideration of ethical standards becomes purely academic—a parallel to the religion which is brought out on Sundays, and then carefully packed away in an unbreakable container for the rest of the week. The manufacturer or the merchant whose only object is to make money will give slight regard to ethical values; he may scrupulously keep within the law, and may recognize honesty as the best policy, but his conduct will be based on nothing higher than the dictates of policy. He will manufacture or sell whatever seems to assure him the greatest profit, and his conduct in so doing may be defended by the tenets of individualism. Thus, the newspaper publisher not infrequently defends himself against charges of sensationalism and pandering to immoral tastes by declaring that he must print what people want to read rather than what it would be good for them to read; he is not responsible for the tastes or the morals of the public. The liquor seller, where his business is legal, likewise disclaims responsibility for the habits and conduct of his patrons; he supplies what they want or what they pay for. And at the other end of the line, the minister in the pulpit too often preaches what his congregation wants to hear instead of what the good of their souls demands.

The business man who handles what he can sell with most profit is no more to be blamed than these, but let him

not attempt to delude himself and others with any claim to service as his business motive: his purpose begins and ends in the pursuit of profit. Happily, the number of men who are wholly content with making money is small, for the desire to be of service, which is almost an instinct in the human soul, tends to direct the attention to more altruistic purposes.

**Essentials and Non-essentials.**—The contrasting demands of money-making and of serving were never more clearly shown than during the World War. When the United States entered the war every effort was directed to the one supreme object of making victory certain. Shops and factories were impressed into war service and non-essential manufacturing was stopped or greatly restricted. In the war-time scheme there was no place for luxury and the dealer in luxuries was forced to turn to the production of recognized essentials. When an industry was declared "Non-essential" it was repressed, and its personnel was freed for more important work. The prosecution of the war called for the most efficient employment of every worker, the effective utilization of every ounce of raw material, and the most profitable investment of every dollar of capital.

In time of peace no such repression is possible, nor is it desirable. It is too difficult to determine what is essential; the line between necessities and luxuries is too vague and too easily mutable. By one definition luxuries are all things not necessary to existence—thus including nine-tenths of the things with which we commonly serve ourselves and others. Ice-cream and neckties might, under this classification, be regarded as luxuries; silk socks and potted geraniums quite certainly would be so classed. What our fathers considered luxuries, if they knew them at all, we have come to regard as necessary to civilized existence; for example, steam heat,

street cars, daily newspapers, coffee, napkins, safety-pins for the baby and safety razors for ourselves. And what I, with my limited means, may look upon as a luxury, you, with your wealth, may feel to be a vital necessity. Agreement can never be reached.

But, while there can be no general agreement, certain things are pretty generally accepted as non-essential to reasonable people. The government finds it possible to tax, as luxuries, such articles as diamonds, oil paintings, cigarettes and chewing gum. Products of this sort were listed as "Non-essential" during the war; yet, not infrequently, manufacturers of such goods were able to convince hard-hearted federal officials that their product was, after all, not wholly non-essential. Humorous papers might, at first thought, seem quite unnecessary to waging war, but they were continued for the purpose of helping maintain the general "morale." So reason was found for producing, though in restricted quantity, such articles as dancing pumps and jewelry and fine candies. All these things were found to have a place and a *raison d'être*. To some extent they were of service, even in a time of national crisis.

In time of peace the only effort made to discourage the manufacture and sale of luxuries is through the imposition of special taxes; and even this taxation is hardly intended as a restrictive measure, being based solely on the financial needs of the government. It is left to the individual to determine for himself what class or type of product he shall handle. The determining factor must be largely economic, but the ethical consideration should not be overlooked.

**The Right and Wrong of Luxuries.**—Briefly stated, this is the ethical phase of the problem. Poverty is wide-spread, even in our prosperous land. Millions of people earn only enough for a meagre living and no inconsiderable number



lack even the ordinary comforts of life. Have I a right to live in luxury while my neighbor suffers from want? Have I a right to devote myself and my capital to the manufacture of gumdrops while children need bread and are insufficiently clothed?

Many ethical writers and economists answer these questions in the negative: they maintain that the man who deals in luxuries is performing little or no service to society; that luxuries are antagonistic to the general welfare and one of the potent causes of poverty. A Catholic author says: "All expenditures for luxury, though in the first place helping the poor directly concerned (for example, the workers engaged in producing the goods) really make life harder for the poor. For all putting of resources into the manufacture of luxuries tends to raise the cost of living. Capital which would otherwise go into the production of necessities is diverted to the manufacture of luxuries. Hence the supply of necessities in proportion to the demand for them will be less than it would have been had this capital been used for their production."<sup>1</sup>

On another page, the same author says that chewing gum, tobacco, and moving pictures are merely a few of the more important industries which, however profitable they may be to individuals, are a national loss, for every citizen pays more for the necessities of life than he would pay if the capital and men employed in these industries had been directed to the production of food and clothing.

Hartley Withers, an English economist, says: "Since the producing power of mankind is limited, every superfluous and useless article that they buy, every extravagance that they commit, prevents the production of the necessities of life for those who are at present in need of them. . . . Since

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<sup>1</sup> From "Christian Ethics," by J. Elliot Ross, page 317. Devin-Adair Company, 1919.

the output of goods and services at any moment is limited by the amount of labor, capital, and raw material that is to be had, and since we have seen that most goods and nearly all services are more or less quickly consumed, it follows that the divisible wealth of the world is like a great heap, the size of which cannot be enlarged, at will, though the articles of which it is composed may vary. . . . In other words, every purchase of an article of luxury stiffens the price of articles of necessity, and makes the struggle of the poor still harder." <sup>2</sup>

But it is not so easy to prove the truth of these statements. Luxuries are likely to be sold at prices which allow a considerable margin of profit and so permit the payment of high wages; obviously then the individual workers employed in their production are not worse off than would have been the case had they been engaged in making necessities of life. Luxuries are in such general demand that whole communities are built up around their manufacture and such communities may be highly prosperous. There appears to be less poverty in Attleboro, Massachusetts, where all interests center in the production of jewelry, than in Lawrence, where there is a similar concentration in the manufacture of woolen cloth. The production of watermelons in the South and of oranges in California is apparently a source of profit to the states in which the fruits grow, to the railroads which furnish transportation, and to the dealers who finally sell them. To what extent, if at all, is the spread of these luxuries inimical to the general welfare?

**Effects of Luxury.**—The charges commonly made are that the consumption of luxuries by the few results in depriving the many of necessities; that the production of articles of luxury diverts human labor from work socially more profit-

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<sup>2</sup> "Poverty and Waste," Dutton, 1914, pages 19-21.

able; diverts capital from more beneficial use; and wastes raw material, including land, which might have been used to better advantage. If these consequences can be proved there would seem to be a pretty strong case against luxuries.

The first difficulty in the way of considering the charges goes back to our definition of luxuries. Oranges were once so considered, in sections where they were not grown, and may still hardly be called necessities, but orange growers have so popularized the fruit that many look upon it as a standard article of diet. The same thing is true of strawberries and yet more clearly of bananas. These articles, like many others once called luxuries, are so generally enjoyed that any suggestion of consequent deprivation "to the many" seems absurd; on the contrary, despite real poverty, more and more are such things available to "the many." They no longer clearly belong in the class of luxuries. Similarly, silk stockings, toilet preparations, and even chewing gum and cigarettes, seem to be passing from the class of luxuries to that of necessities. Automobiles may belong in either class, according to use. So may phonographs and radio sets. In short there are so few articles which can certainly be labelled luxuries that the consideration of the charges is somewhat difficult.

The charges made fail to take into consideration the effect of constantly improving methods of production. Like Malthus,<sup>3</sup> whose famous theory once was so disturbing, they think only of present capacity for production; they assume that capital, labor and raw materials all are limited in amount, and that their product is correspondingly limited. Here they are at fault. Capital is no reservoir which may be run dry,

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<sup>3</sup> Thomas Robert Malthus, English economist, 1766-1834. The Malthusian theory was that the increase in population always exceeds the increase in food production, thereby condemning the human race to increasing poverty.

but a spring with almost unlimited sources of ever fresh supply; how otherwise could the vast expenditures of the World War have been possible? The number of workers available at any given spot may be limited, but their productive capacity may be so increased by labor-saving machinery that in effect their number is infinitely increased. As to raw material, there is a question: some could be used only for luxuries and if not so used would be wasted; for example, the goose livers that, ground, form the basis of *pâté de foi gras*, or the shad roe that sells as caviar. In some cases, the cultivation of an essential of food or shelter is advanced as a by-product of luxury. Oysters are sought for pearls as well as for their food value. Kerosene, which has become a by-product, is certainly much cheaper because of the demand for gasoline, a larger part of which has a pleasure, rather than a utilitarian, object.

It is probably true that the land used in the production of tobacco or of watermelons or of mulberry trees might be used to raise potatoes or corn or cotton, but there is no serious shortage in the supply of land for essential crops and normally no deficiency in the production of such crops. It is at least doubtful whether any marked lowering of price of essential products would follow the suppression of luxury production.

**The Case for Luxuries.**—It is not difficult to point out that civilization has advanced with the introduction of non-essential articles into a community—that the desire for articles of luxury has proved to be the strongest stimulus to ambition, and has made for industry and thrift. A beautiful and costly building may be no better, as a shelter, than an ugly one which costs only half as much; but in creating the beauty the minds of men have been broadened, their senses refined and their imagination quickened; and so long as the

building stands it will have a similar effect upon those who view it.

But perhaps beauty should be recognized as an essential of life and expenditure in its creation and preservation justified in that way. Can there be similar justification for the production and distribution of perfumery, cosmetics, candy, chewing gum and jewelry, all of which have been subjected to national taxation as luxuries? While acknowledging that individual use of any of these articles may be excessive, extravagant, or even harmful, each of them may yet have a place in our regard. They have place not merely because perfumery and cosmetics and jewelry are accepted aids to beauty; candy an indispensable ally of Cupid; and chewing gum, as we are assured by advertisers, good for the teeth and the digestion: but because the desire for these articles, recognized as non-essential, is an irresistible urge to activity.

Human beings have an instinct to excel. This instinct induces the athlete to go through long periods of self-denial and of rigorous training; it encourages the student to burn the midnight oil over his books; it inspires the person who would lead in any line and creates a willingness to make whatever sacrifices are necessary.

In a democratic society the possession of luxuries is one form of excelling one's fellows; to possess them men will study, work, sacrifice: and the results of that study and work and sacrifice may well be profitable to society.

**Vicious and Harmful Products.**—Of course the arguments that apply to the production of luxuries may be extended beyond their rightful field. There are articles which serve no useful purpose and others which are commonly misused. No one can defend the printing and sale of obscene pictures; it is difficult to defend the general sale of revolvers. With a national prohibition law in force, there is at least



grave doubt about the right to make and sell pocket flasks. The law deals with the first of these cases and may some time be applied to the others, but for the ethically minded business man that will not be the decisive factor. He will decide to deal only in goods which he believes will prove of service to society.

It all comes back to the motive which governs the business man: so long as the motive is Service he will find his profit in connection with products which make the world better, safer, more comfortable—a little more like Heaven. In such a world there is room for refinement, beauty, luxury, but little place for excess or vicious self-indulgence.

### Summary of Chapter IX

Recognizing the motive of business as Service rather than profit, the business man is concerned with the type of product he handles. The question has been raised whether a luxury, something not distinctly necessary to well-being, may rightly be produced and distributed.

The production of luxuries, it is claimed, raises the cost of living and reduces the possible supply of necessities: experience in modern democratic society does not seem to bear out this charge.

It is difficult to determine what articles should be classed as luxuries; articles so considered are constantly passing into the class of necessities, and many articles may belong in either class, according to varying circumstances.

The desire for luxuries for oneself or one's dependents is an important force impelling men to activity, to sacrifice and to thrift. Thus this desire may generate desirable traits. But arguments for reasonable use and production of luxuries should not be extended to illegitimate products, which, being forbidden by law, are outside the consideration of Ethics.

## CHAPTER X

### DEVELOPING A CODE OF ETHICS

**The Business Man and His Relations.**—The complexity of life is nowhere more evident than in the multifarious transactions of business. Commerce and industry are distinctly social activities, bringing those engaged in them into constant contact with individuals and organizations of every type. It is not easy to make all these contacts without friction and even the most conscientious of men may sometimes be in doubt as to the right way to conduct himself. The path of duty may often be harder to find than it is to follow.

For many of the points of contact there are accepted customs which have been crystallized into laws and so have been placed outside the field of ethics. If I hire you to work in my factory I cannot demand that you remain at the machine fifteen hours a day; custom has established an eight-hour day, and for women and minors, at least, legislation enforces the custom.

In the early years of the present century a prominent business man publicly announced that he based all his business transactions on "the Ten Commandments and the Penal Code." In so doing he rendered himself safe from prosecution but he merited little praise, for the Ten Commandments, vital as they are, do not cover one's whole duty, and the Penal Code does little more than attempt to interpret a few of the many relations between man and man. There remains a vast territory untouched by these laws. This is the field of ethics.

**Relations of Employer and Employee.**—There is perhaps too great a tendency to read into the relations between

employer and employee something of the attitude of master and slave. When the laborer was not recognized as a man but only as a chattel, the word of the master was all potent: but in those days the master was also responsible for the welfare of the slave, and, if for no other reason than to maintain his working efficiency, was obliged to feed and clothe and shelter him. With the passing of slavery the employer felt himself freed of this responsibility, but often failed to realize that with his responsibility his authority had also gone. It has taken generations of free labor, much of it strongly organized and working under a definite plan, to bring about a complete change from the ways of the slave and his master. Today the danger is rather that labor, as an entity, will arrogate to itself the commanding power.

Neither the employer nor the employee should have the right of unlimited direction; they must learn to work together, each the complement of the other. They should agree on amount and terms of payment, on conditions under which work is to be done, on time and method of termination of employment, on recreational facilities, vacations, and all the various matters of their mutual interest. Obviously neither the one who pays nor the one who receives pay can determine these things fairly without considering the situation of the other. The problem of ethics is to find in such matter the one right course of action; and this is not easy.

Consider the one question of recompense to the worker. On what basis shall it be fixed? The simplest rule was that first applied—that there should be a payment only large enough to enable the worker to live; but the evident injustice of a wage scale which made no provision for other than immediate material needs, and which limited so sharply and at so low a level the satisfaction of legitimate desires, has demonstrated the fallacy of this standard. It was less favor-

able to the worker than the terms of slavery or serfdom which preceded it.

The needs of the worker cannot be overlooked. In the summer of 1925, at public hearings on the demand of Boston street-car operators for an increase in wages, the sole basis for the demand was stated to be the need of the men for more money; their representatives insisted that no other factor deserved consideration—above all, that the financial condition of the company should be disregarded. If the company had not the means for higher payments it should in some way increase its income. But the data presented showed that there was no substantial agreement as to the amount needed by the individual employees. Should an approved budget provide for savings? Should it be based on the needs of a family of three, four or ten? Should it recognize a right to luxuries? Should the workman's wage permit him to pay his son's tuition in college? It is clear that the needs of the employee are too indefinite and variable to afford a standard ethically satisfactory.

On the other hand, is the financial status of the employer to determine the wage? Should a form of profit-sharing make partners of all who are in a business? In time of prosperity such claims seem justified and are often recognized. But because of poor management or business depression or unavoidable misfortune, there may be long periods of no profit to the employer; he may continue the business without profit but the employees cannot go through these periods without pay.

A common claim of fluent speakers on labor problems is that each person concerned in production should receive the share of the profit that he produces; but no analyzing economist has been able to determine what these shares are. If you employ me to row your boat while you catch fish

am I entitled to half the catch? How much have I contributed to the string of fish you bring ashore? John Smith slips bolt number 127 into its proper place in a thousand Ford chassis every day; to what extent does he contribute to the value of the complete car? How much of the profit of the Pennsylvania Railroad is produced by the file clerk in the auditor's office? No mortal can determine these proportions. Clearly then, the proportionate share in production is an unattainable criterion.

Labor unions have forced their scales, legislatures have fixed minimum wages, fair-minded employers have disregarded custom and paid according to their ability, but the problem is not solved. While it seems to be inextricably wrapped up in the economic law of supply and demand, its solution is primarily dependent upon ethical aspects.

**A Failure of Individualism.**—In the face of innumerable contacts and increasingly complex relations there has been a falling off in the theory of complete individual rights. It has become clear that the individual could neither know the extent of his claim, nor could he enforce it. Hence the growth of organizations, groups of wage earners and of employers, of technical workers and managers, each enunciating rules for the conduct of its members. Thus the group morality of past ages has been largely re-established. However essential this may appear to be, it is distinctly an ethical retreat; it tends to substitute Customary for Reflective Morality, and to advance force instead of love as the basis for human relations.

The spread of corporations has weakened individualism by making at least one of the parties in so many relations an artificial person with increased powers and decreased sympathies. The individual cannot successfully oppose or appeal to a corporation: he must submerge himself in a simi-



lar organization which can meet the artificial creature on equal terms.

One of the serious problems of the day is to harmonize social and political individualism with the facts of economic organization—to maintain Reflective Morality as the criterion of personal conduct, at the same time permitting the standards of Group Morality to rule in economic relations.

**Relations of Business Man and Patron.**—The lawyer whom you engage to defend you against a charge of speeding on Main Street is understood to make himself your representative and to seek only your welfare; the physician called when you are sick considers only your good; the architect is to design a house that will meet the peculiar needs and desires of his client. This is the “professional” attitude—the principle of representation, of putting oneself into the place of the one man who has engaged his services and of making his interests the object of every effort. It is to be feared that not every man claiming professional rating lives up to the strict requirements of this principle, but there are some who do and none who do not claim to. The principle is so generally accepted that its neglect brings ostracism or other evidence of disfavor from members of the profession.

To the extent that trades have adopted this professional attitude their ethical standards have been raised; the true desire for the good of the other is the basis of all genuine service. And this, in a word, epitomizes the right relation between the business and the patron. The function of business is to provide, to supply human needs; its justification is in its performing this service. The man of business earns his recompense only if he “delivers the goods”—if he delivers the *good*—and it is easy to see that this is accom-

plished only through adoption of the professional principle of making the interests of the client supreme.

The relations of the business man and his patrons include methods of advertising, quality of goods, fixing prices and terms of payment, delivery, physical provisions for comfort and convenience, correction of errors, advice on market conditions and, in general, creation of confidence and good will. The ethically minded business man will hold the interest of his patrons as the guide for his conduct in all these things and it takes no whit from his honor and credit that the patron makes him a fair payment for them all.

**An Example of Commercial Service.**—For untold generations inhabitants of the sweltering tropics knew no mitigation of their climate's effect on articles of food and drink. Then in the early years of the nineteenth century, a young New Englander, Frederick Tudor, conceived the idea of shipping ice from his pond in Saugus to the tropics. The story of his ventures in building up a business which made him wealthy is one of the most inspiring in commercial history. He had to devise ways of packing, even types of ships to carry the cargo; he had to teach its use to people who had never seen ice; he had to build ice houses in Havana, Rio de Janeiro and Calcutta. He did all these things and did them well, and in consequence it became possible to eat fresh meat where formerly tainted or half-decayed food was the rule; to take refreshing drinks in place of unpalatable and disease-breeding water or death-dealing concoctions of alcohol.

When, at the court of St. James, Edward Everett, the American minister, met the Persian ambassador, he was greeted with a panegyric on the benefits of ice in Persia. On every tropic coast Frederick Tudor landed ice and so provided an incalculable aid to health and comfort. No

greater service could have been rendered to the people of those lands: Tudor made their interests his, and his profit from the business was natural and inevitable.

**Relations with Competitors.**—In no phase of business have ethical standards been raised more rapidly than in relations between competitors. Hardly a generation ago there was a state of real warfare between every active business man and all his competitors. It was not realized that one could grow and profit without thwarting or crushing another in the same field. Even when uniting for protection or gaining some common purpose the individual competition was no less bitter. Today, cooperation is the rule among competitors; they exchange ideas and business methods; it is regarded as discreditable to make false or disparaging statements about one another; or to seek advantage by underhand or dishonorable methods. A meeting of the trade or commercial association might be mistaken for a love feast, and a chamber of commerce lunch for a big family party.

True, a good part of this brotherliness exists only on paper, and its expression is sometimes confined to these semi-social gatherings. There is still an eagerness to outdo the other that occasionally leads one into devious ways. But the spirit is now more generally that of the game than of the fight, and the rules of the game are seldom entirely overlooked.

Unfair competition is prohibited by federal enactment; Congress has given to the Federal Trade Commission the right of determining what forms of competition are unfair and of forbidding their continuance, but the law makes no attempt to define unfair competition; probably no definition is possible. In general, however, unfair competition may be understood to be "any practice whose natural result is to

make survival depend on other qualities than industrial efficiency.”<sup>1</sup> The unfairness may depend as much on the circumstances as on the method itself, thus leaving the question well within the range of ethics, for to most methods of competition the law cannot apply. It is not possible to enumerate the many methods of unfair competition, but the following list includes the most flagrant types:

- a. Local price-cutting, with the object of putting competitors out of business, after which prices may be raised to a higher level than before.
- b. Operation of bogus “independent” concerns.
- c. Maintenance of “fighting ships” and “fighting brands”—temporary expedients to disorganize a market and force competitors out of business.
- d. Rebate and preferential contracts, a violation of the one price principle now recognized as the ethical foundation of commerce.
- e. Espionage and the use of detectives, to learn competitors’ secrets and to obtain models and patterns.
- f. Bribery of employees of competitors.
- g. Preventing competitors from securing materials or supplies.
- h. Hiring employees away from competitors.

**Establishing Standards.**—Much of injustice and unfairness results from misunderstanding. If, when I buy a ton of coal, I am thinking of the long ton of 2240 pounds, I am sure to feel that I have not been fairly treated when the dealer delivers the short ton of 2000 pounds, of which he was thinking. The exact meaning of commercial terms is as important as that of legal terms. Profitable business connections have been permanently severed because buyer and

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<sup>1</sup> John B. Clarke, in “The Control of Trusts.”

seller honestly disagreed as to the definition of F.O.B. or C.I.F.

These things cannot be left to individual interpretation. Nor can the standards of business conduct be left wholly to the individual, however honorable and sincere he may be. There must be some standard by which to measure, some code to which to refer. The standard cannot be too strict or the code too specific—such an attempt would lead us into the pitfalls of casuistry; but underlying principles can be determined and general rules accepted. Codes of Ethics are usually so constructed, although many codes contain specific clauses dealing with common abuses. Scores of these codes have been promulgated; more than one hundred and thirty are published in one volume<sup>2</sup> recently issued. A few sample codes are presented in Chapter XV.

Rotary Clubs have done much to introduce the code system and have recommended a standard form which is generally recognized as an excellent model. The circular of International Rotary "On Codes" states:

Experience has shown written codes of standards governing business relations to be essential to the progress and development of every trade and profession.

Each vocation requires rules peculiar to itself, but, whatever the business or profession covered, the serviceable code is characterized by the fact that it is a set of definite, concise rules of conduct—NOT beliefs, aims or aspirations.

The adequate code, covering all business relations of the craft (Business, Trade or Profession), includes a preamble followed by definite rules of conduct covering:

- ✓1. The relation of employer and employee.
- ✓2. The relation of the craftsman with those from whom he makes purchases.
3. The relation of the craftsman with his fellow-craftsmen.
4. The relation of the craftsman with professional men

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<sup>2</sup> "Codes of Ethics," by Edgar L. Hermance, 1924.



whose professions are interlocked with the craft (doctors with druggists, etc.)

5. The relation of the craftsman with the public generally, including the Government.
- ✓6. The relation of the craftsman with the purchasing public.
- ✓7. The making and executing of contracts, with special reference to specifications.
- ✓8. Wrong practices—commercial graft, and
9. A concluding section requiring observance of the code for continued membership in the association.

While the Rotary standard code is said to be “a set of definite, concise, rules of conduct—not beliefs, aims or aspirations,” there are some who prefer a creed, a statement of beliefs, in place of detailed rules. The rules, in any case, must be based on belief, good intention. There can be no satisfactory “Outer” without a corresponding “Inner”—no winning “Attitude” without a similar “Content.” The “How” must be evident in the “What.”

A creed fails to meet all needs because of the occasional uncertainty of application or interpretation: a code fails at times because it can not provide for every specific circumstance. The sufficient standard includes both the permeating spirit and the specifying body.

### Summary of Chapter X

Business is a social occupation, involving many intimate relations, some covered by laws, but more left to individual discretion. To make these relations mutually satisfactory is the function of Ethics.

Relations between employer and employee are fixed partly by law, partly by organized agreement and partly by personal considerations. Neither employer nor employee, without reference to the other, has a right to determine these relations.

The ideal relation between the business man and his patron is that of the professional representative and his client—the effort to make every transaction result in the benefit of the patron or client. Profit comes from service rendered.

In relations with each other business men have come to accept the principle of co-operation and open, fair, competition.

The standards governing all possible relations are expressed in Codes of Ethics or in Creeds embodying the principles of fair dealing.

## CHAPTER XI

### FOR THE YOUNG MAN IN BUSINESS

**To What Extent is He Responsible?**—The general ethical tone of an organization is determined by its responsible directors and executives. In setting this tone, the young employee, or indeed any employee, may have little voice. Should you be so unfortunate as to find yourself employed by a concern of low ethical standing you will do well to seek other employment, for you cannot afford to acquire your business experience in so unwholesome an atmosphere. You should, of course, be cautious in judgment and should not be ready to condemn as unethical practices of which you may see only one phase. Nor should you accept as true the rumors and unfounded charges which circulate in every organization. Scandal-mongers are everywhere; disgruntled clerks may take delight in painting dark pictures, in distorting fact and devising fiction. Against all these the young worker must guard himself. Your judgment should be the result of personal observation, over a period long enough to differentiate chance incidents from fixed policies, and based on a reasonable knowledge of trade practices and ethical requirements. You should not be hasty in coming to a decision, but when you have decided, you should act; in the end, your conscience, in conjunction with clear judgment, must be your guide.

But wholly aside from the ethics of the business, which you can influence but slightly, there is abundant room for the study and practice of ethical principles in the personal relations of the young man beginning a commercial career. You are supposed to know or to learn your duties in the

organization, but in the most important of your duties you will be given little instruction; these are the ethical demands upon you in your personal conduct and your relations with employer, fellow-workers, patrons, and the public. Your success in demonstrating your regard for the right will largely determine your general success; your persistence in good conduct will tend, as good conduct always does, to your ultimate advancement.

Spencer's claim that conduct is good as it furthers self-preservation and bad as it tends to self-destruction can readily be proved in any business organization—but in evaluating the conduct and its results the "long look" is necessary.

**The Virtue of Definiteness.**—Herbert Spencer, whom we must quote once more, defined Evolution as "the progress of passing from an indefinite incoherent homogeneity to a definite coherent heterogeneity." Though at first blush, the definition itself may seem to need considerable defining, it is none the less a good one. As things or ideas develop they pass from an indefinite mass of more or less unrelated similarities to a definite, closely related unity, differing from other units. Tangible existence depends upon definiteness of form or concept. Definiteness or exactness is a phase of truth, and truth is the first of business virtues.

Indefiniteness in anything is a characteristic of weakness, of incompletely evolved character. "Each industrial art exemplifies the effects of movements which are severally definite, and which are definitely arranged in simultaneous and successive order. Business transactions of every kind are characterized by exact relations between the sets of motions constituting acts, and the purpose fulfilled, in time, place, and quantity." "The conscientious man is exact in all his transactions. He supplies a precise weight for a specified sum; he gives a definite quality in fulfillment of

understanding; he pays the full amount he bargained to do. If he has made a contract he is to the day; if an appointment he is to the minute. His statements correspond accurately with the facts.”<sup>1</sup>

For the young man in business this habit of exactness should be a second religion. Nothing else will prove so important in your evolution from office boy to executive. Nothing else will so surely bring you out of the “indefinite incoherent homogeneity”—which is one way of describing a *crowd*. When you are found to be exact in all your relations you will soon stand out from the crowd—you will become a “definite, coherent, heterogeneity”; and what employer would fail to appreciate such a specimen! In this instance, as in most others, the ethical principle and the economic principle are synonymous.

Above all, let exactness characterize your speech: the habit of exaggeration is prevalent and dangerous; there is no place for it in business. The “Better Business Bureaus” of large American cities are devoting much time and effort to stamping out practices of misrepresentation in advertising and selling goods; in such cases exaggeration is clear falsehood, put forth with intent to deceive. The adoption of the motto “Truth” by the Associated Advertising Clubs of the World indicates the importance which these representatives of active business give to this characteristic.

Be truthful, be definite, be concise; you may then have less to say, but the quality of your speech will make up for any lack in quantity.

**Rehearsing Your Part.**—Your first year in business may be likened to the rehearsal for a play. If you have studied your lines you may think that you know how your part is to be played, but until you have practiced with the rest of

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<sup>1</sup>“The Data of Ethics,” by Herbert Spencer, page 68.



the company and noted how your part fits in with others, and the crudities and inconsistencies which creep into the best written plays are erased, you cannot consider yourself perfect in your presentation. In business, it will take at least one year, perhaps two or three, to accomplish the results of the rehearsal; during that year every thought should be given to perfecting yourself and making your part fit aright into the entire plan of the business. The rehearsal cannot be neglected.

**"The Romance of Business."**—Do not be disturbed if you find your commonplace duties lacking the tinge of romance and excitement. There is much of romance and excitement in business but they are more clearly to be seen in a study of the entire plot than in the carrying out of a minor rôle. At the same time, you can attach vital interest to the work which you are doing, you can image it as a part of the great function of business, a part which, whether large or small, is essential and can be done by no one except yourself. The advice of President Coolidge to the young college man, "Do the day's work," is sound, sensible, and sufficient. Do the day's work, and find in it such satisfaction as you may; you may be sure that the romance that gilds success will not, in the end, be lacking.

**"Carry On."**—If you are to do the day's work you must complete the job. There must be no unfinished tag ends, no details overlooked. It is fashionable to consider details as insignificant, yet like Michelangelo's retouching of an eyelash in an effort to make a perfect picture, there is no such thing as a trifling detail. If it is a part of the work to be done, do it. When you have finished your day's work you should know that no one else will need to go over your product to correct mistakes or supply omissions, that your efficiency need not be questioned.

Efficiency was once defined by Harrington Emerson as taking short-cuts to truly desirable things. Short-cuts are both desirable and dangerous—desirable when they lead to satisfactory results without friction on the way, and dangerous when they lead to something inferior in place of the desired end. Thoroughness is more important than brevity. You may rightly seek ways to do your work efficiently, utilizing short-cuts which you find to be wholly practicable, but you must not sacrifice thoroughness. In this position, it is the “What” rather than the “How” which counts; it is the “Outer” which wins approval rather than the “Inner.”

Don't look for praise. You may do your work well and gain no sign of appreciation. Good work often seems to be taken for granted. And, indeed, if you do only what you are paid to do you deserve no special appreciation; you are not likely to be singled out for promotion. For that, you must do more than your bare job, never playing the part of a time-servant, thinking only of the closing time. Browning, in one of his poems, says, “Oh, the little more and how much it is.” It is the little additional effort, the occasional few minutes after five o'clock, which indicate the interested worker; it is the intelligent effort to excel, which, more than most other things, will soon lift one from the “indefinite, incoherent, homogeneity” of the mass of workers, to the high level of the “definite, coherent, heterogeneity.”

Of course, the young man who is exact in his ways and is seeking to do a little more than his full share, will not procrastinate. Instead of putting off work that should be done, he will attack each job at its appropriate time and will complete it promptly. He will put his best effort and his whole effort into the work at hand without allowing his ambition for more important work, or his desire for pleasures to come, or his recollection of pleasures past, to inter-

ferre with his immediate performance. He will stick to his job; he will demonstrate not only his "ability" but his "stay-ability"; he will not allow discouragement or disappointment to drive him from the work which he is undertaking; he will not always be on the lookout for "something better." If the business with which he has connected himself is worth while, there is something better in the organization itself, and the young employee is not likely to improve his prospects by going elsewhere.

**"Drawbacks" in Your Business.**—No business is all "cakes and ale"; in every business there are drawbacks, there are difficult and unpleasant things which the young employee must expect to meet. You are likely to assume that the particular business in which you find yourself has more than its share of these disagreeable features, but probably that is not true. There is a pretty general averaging up, a rather clear law of compensation in human affairs and it is fairly certain that one occupation has about as much of the disagreeable as has another. At least it is certain that the young worker who lets himself be discouraged by the unpleasant things in his business lacks the qualities of persistence and determination which are so essential to success. Disagreeable duties, like unpalatable medicine, are often good for you: make them a tonic and they will add to your strength.

**Control Your Emotions.**—You cannot like all people equally well, but you can be courteous to all. You can treat all fairly and you can prevent your personal feeling, whether of like or of dislike, from affecting your judgment or your treatment of individuals. It is natural to feel resentment when you are criticized—natural but foolish. You may acquire a dislike for some of your superiors or for some of your fellow-workers who seem to be infringing upon your

rights. Such dislike is a foolish indulgence of egoism. Most people have many likeable characteristics, and even if you find associates lacking in likableness you are not justified in being unfair to them. Try cultivating and displaying your own likable qualities; you may find your own stock low. Whatever the attitude of others to you do not impugn their motives; don't try to "pay them back." Most people intend to be fair; give them credit for it in every doubtful case.

**"Thou Shalt Not Steal."**—It ought not to be necessary to say that you must be scrupulously honest. You probably intend to be law-abiding, but you will see many people who practice habits of petty dishonesty, not always punishable by statute but ethically unjustifiable. They use postage stamps, which are only another form of money, for their private correspondence; they have no hesitation in using the firm stationery; they use the telephone for private conversations, though every call is a direct expense; they take the time of others by talking to them or interfering with their work. All these things are dishonest, and in the aggregate they cause a serious loss.

Your wage may be small and you may feel the need for more money—but avoid any hint of "graft." There is no "honest graft"; commissions, tips, and bribes are fundamentally wrong; they are intended to induce disloyalty to your principal and unfairness to competing interests. You cannot serve two masters; so a broker cannot accept commissions from both buyer and seller; a purchasing agent cannot permit a salesman to compensate him in any way; a personnel manager cannot take a fee from the applicant for employment; an advertising manager cannot accept a percentage on the advertisements he places. Let your rule be always "Accept nothing for which you do not render

honest and adequate service." Any variation from this standard is fatal.

**I Must Live.**—There may be weaker excuses for dishonorable actions than this plea, "I must live," but I know of none. There is no individual or racial necessity that anyone shall live; but there is a vital demand that every one who lives shall be upright and honorable. The attempted palliation of wrong conduct, as a necessity, is weak, paltry, and false. It is not only possible, it is easy, to find means of making a living which are at the same time means of rendering service; and while unethical or dishonest practices may for a time bring a greater financial return, they invariably produce less in the end. Good conduct does tend to self-preservation; bad conduct to self-destruction. In business, dishonesty is suicide.

**Help to Maintain the Morale.**—For office workers a Boston business man suggests an adaptation of Kant's Categorical Imperative.<sup>2</sup> This business man phrases it, "Do nothing in the office which if done by all would make the office ridiculous." For example, while a single typist might indulge in chewing gum without causing great disturbance, if all in the office were simultaneously masticating the effect on a caller would be far from pleasing. One man might wear his hat without affecting the morale of the organization, but if every man kept his hat on, the office force would appear to be an unmannerly crowd.

**Take Your Own Medicine.**—Don't fail to accept responsibility which belongs to you. Don't seek to escape blame for your own mistakes or faults. In other words, don't try to "pass the buck."

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<sup>2</sup> "Act as if the law of thy action were to become, by thy will, a universal law."



Give little thought to your "rights," and much to your "duties"; the man who carefully pays what he owes, whether in dollars or in deeds, seldom has to worry about what is due him.

**Be Tactful.**—If you have been especially educated for business, it is very probable that you will soon note how inefficiently business is being done. But the young worker will do well to avoid telling his superiors or his fellow workers how to reform the business. It may be that there is inefficiency, evident even to the new employee. If so, wait until you have thoroughly established yourself before you proffer advice on the subject. Often, however, what appears to be inefficiency will be found to be a satisfactory method under the particular conditions which affect the business.

It is a fault of the business man, and especially charged against Americans, that he can talk of nothing outside his business interests. No matter how much you may devote yourself to your occupation, you must avoid talking it at all times. In the first place, your talk is uninteresting to others and you will become a bore. In the second place, you are likely to give away your business secrets and seriously affect your success. Make it a rule not to talk too freely about what you are doing, and to discuss your business only with people who have a legitimate interest in it.

**Be Yourself, Not a Copy of Someone Else.**—Don't let other people set your standards, except, of course, as your superiors may make rules which you must observe. No one can fix for you the real standards of your character. In the amount or the quality of your work avoid being influenced by others who may be satisfied with inferior product and who would draw you down to their own level. Set standards for yourself, set them high, and maintain them.

There is much about any business for the young man to learn. Not only must you keep your eyes and ears open but you must read trade magazines and technical books. You may be able to take a regular course of study on the affairs of your business. It is safe to say that you cannot learn too much. It is equally safe to say that you cannot apply in any business all that you find in print. Get all the knowledge you can, and all the scientific data which may bear upon your vocation, but use it with discretion and common sense.

The young man in business is right in seeking promotion, but he should not be studying the next job at the expense of his own. I believe it was Abe Perlmutter who expressed the common attitude of employers when he said, "I don't want my shipping clerk to spend his time learning how to be a sales manager. I want him to learn how to be a shipping clerk." You may indeed consider the line of promotion and study the work of those above you, but the best preparation for a higher position is likely to be found in the satisfactory completion of the work you have at hand.

This matter of studying suggests the more general one of the use of your time. For a consideration you have sold some hours of your time to the business and you realize that those hours belong to your employer. But in one sense you have sold all your time; you have no right to spend evenings and holidays in ways which detract from your working efficiency. You are under obligations to keep yourself fit for the business. You must conserve and increase your health and your knowledge; how to accomplish this is one of the first problems for the young business man to solve and on its solution will depend much of his success.

**"Go in Peace."**—And finally, if you have to resign, if for any reason you are leaving a position, do it pleasantly.

Don't go away with a grouch. Don't attempt to cover any fault of your own with criticism of those with whom you have been connected. At all times be fair, be honest, be gentlemanly; you will find that this will pretty fully complete the requirements of ethics and of economics as well.

### Summary of Chapter XI

Certain phases of the generally accepted virtues of business are of particular importance to the young man employed in a commercial organization. Among these the most important is truthfulness, expressing itself in definiteness or exactness in all conduct, absolute honesty, and precision in speech and action.

The commonplace principles of giving strict attention to one's own duties while making every reasonable effort to learn the rules and methods of the organization; of doing the day's work; of recognizing the rights of others; of originating rather than copying; and of conducting oneself always as a gentleman—these are fundamental to ethics and the surest steps to economic advancement.

## CHAPTER XII

### THE HEROIC IN BUSINESS

**Standard Types of Heroes.**—When Thomas Carlyle wrote of heroes and hero worship, in the middle of the nineteenth century, he presented six types of heroes—the divinity, the prophet, the poet, the priest, the writer, and the king—and pointed out the peculiar qualities of greatness of each of them. These heroic types are generally recognized and accepted; though we may not approve of all their deeds, we acknowledge the eminence of Odin, Mohammed, Shakespeare, Dante, Luther, Rousseau and Cromwell, the heroes whom he selected as prototypes. Perhaps Carlyle did not assume to cover the entire field of the heroic, but had he so desired it is probable that he would hardly have ventured to present the hero as a merchant; he might have included the physician, or the teacher, but at that time it would have been difficult to wax eloquent over the heroic qualities of the business man. It is not so difficult today.

When we accept service as the fundamental motive in business we are approaching the field of the heroic, for that is the prime distinction of heroism. Superior strength of arm or beauty of face, or keenness of vision, or facility of speech, may stamp a man as distinct from his fellows, but it needs more to make the man a hero. Whether he be saint or a degenerate, the man whose achievements evoke the applause of the race must exhibit a quality of self-forgetfulness—sometimes for the good of others, sometimes for their destruction. And the one outstanding characteristic which marks the hero is his readiness to serve his fellow-man without seeking a reward for himself.

**The Villain of the Piece.**—In truth, Thomas Carlyle, in 1840, might well have hesitated to include the business man in his list of heroes. The business man, craftily studying each transaction in which he had a part to make sure that it should result only to his advantage; the man who had emblazoned on his armor the warning “caveat emptor”; the man against whose impositions parliaments had legislated and courts had decreed—where in him was there an element of the hero? Shakespeare, indeed, had painted the typical man of business—a Shylock demanding strict fulfillment of his bond, though it meant ruin and death to another. Such a character has ever been a favorite in fiction, not as a hero, but as a villain. When, at the last moment, the stony-hearted banker has lost the opportunity to foreclose the mortgage on the widow’s humble cottage and has slunk away to merited oblivion, a thousand audiences have applauded.

Business has been considered a game of wits, where the shrewdest and sharpest must win and where the gain of one must inevitably result in loss by another. The business man has been regarded, like the beast of prey which must slay or be slain, as one who must cheat or be cheated, insensible to any appeal not directed towards augmenting his own pecuniary profit. Shakespeare’s men of business were less careful of their honor than were his highwaymen. These, indeed, had codes and observed them; they had the courage to face their victims and take their goods at the point of the sword or the muzzle of the pistol. But his business men were cowardly seekers for profit where profit was safe; they flourished on the distress of their neighbors. The highwayman attacked only the rich, but the merchant squeezed his gain from the poor.

In law, as in literature, the man who lived by buying and selling was long viewed with suspicion. In the dawn



of civilization men knew but two ways to get things—either by personal production or by robbery. Any suggestion of exchange seemed so closely related to robbery that early laws made little distinction. Even in the Middle Ages the trader, usually a traveling vendor, was subject to treatment as a suspicious character. Strict laws were passed against lending money for interest. Maximum prices were fixed for all staple products, and condign punishments were visited on dealers who attempted to monopolize or corner a market. The merchant was looked on as one who lacked all honor and who must therefore be restrained by the stern hand of the law.

And the popular feeling was not far wrong, even though there were many individual exceptions. Business was petty, and it bred in all connected with it a pettiness and meanness little short of knavery. The trader accepted the popular estimate of his standing and conducted himself in a way which justified the estimate. He was seldom above dishonesty in practice and still more rarely above it in principle. He gave short measure, he overcharged the ignorant, he was a stranger to the truth. Like Lowell's popular candidate, he might have said "Ez to my princerples, I glory in hev'in' nothin' o' the sort." The buyer knew that he must look out for himself; the law recognized the buyer's responsibility in the principle "caveat emptor"—the accepted basis of commercial transactions from the time of the promulgation of the Roman law until the dawn of the twentieth century.

Such was the status of the trader in domestic commerce. The overseas merchant had a different standing, but hardly ranked higher in the scale of honor. Not the highwayman, but the pirate, was his competitor; largely unprotected by law, he fought his own battles. While laying the foundations of empires he had little inclination to observe too closely regulations made by impotent monarchs a thousand

leagues away. When he met a more powerful fleet of another country, his national flag was not enough to save his goods from confiscation or his ship from destruction. Foreign trade was a calling for the adventurer; its profits were like those of the gambler and its losses as frequent. The merchant, if successful, reaped a considerable reward, but his position was rarely considered one of honor. He was not of heroic mold.

**A Changing of Character.**—If we find hero-stuff in the world of business today, it must be that there has been a change in that world; the old ways, which were distinguished from those of the highwayman only by minor differences in method of operation, must have disappeared, or at least, have passed into disrepute among the commercial leaders of our day.

It is not too much to say that that is the case; we are living in an era when righteousness and not rapacity brings reward; when a stain on the trade mark causes as quick a challenge as once did a blot on the escutcheon. We grant that the business man must make a profit from his calling—but so must the soldier have his wage, the teacher his stipend, and the very poet his pay. And today the balance that remains when the books are closed is not the only measure of the success of business. In the twentieth century, business stands on a firmer foundation than it has in the past; it has come to a realization of its great function, outlined, almost in a spirit of prophecy, by John Ruskin sixty years ago.

There are, according to Ruskin, five great intellectual professions necessary in every civilized nation:

“The soldier’s profession is to defend his country.

The pastor’s, to teach it.

The physician’s, to keep it in health.

The lawyer’s, to enforce justice in it.

The merchant's, to provide for it.

And the duty of all these men is, on due occasion, to die for it."

We have seldom, even in our highest conceptions of business, thought of it as a field where death might be one's duty. Yet that ultimate sacrifice is plainly not far beyond the demands of modern codes of commercial ethics. Many a man has invested all his property in his business, has given it all his time, has put into it every ounce of his vigor and every throb of his brain, until he has sacrificed his health and even his life in his endeavor to maintain it. A foolish thing to do, perhaps, even a sinful thing, if the purpose behind it is only to add to his wealth and secure for himself place and power. But, if the purpose be to build and sustain an organization which shall provide for human wants in a measure beyond that known before, if the purpose be to carry prosperity to communities where poverty has before prevailed, can we not see the underlying nobility, unrecognized by the man himself, which impels such sacrifice?

**Providing for Human Wants.**—To provide for human wants is the great function of the producer or the distributor of goods. These wants indicate the condition of society; where they are few there is lethargy or little progress, for civilization is the result of wanting. "Every want," said Daniel Webster, "not a low one, physical as well as moral, which the human heart feels that brutes cannot do or feel, raises man by so much in the scale of existence." Schopenhauer, a philosopher to whom we do less reverence now than formerly, drew a picture of utter hopelessness on the theory that human wants are ever increasing. A man is unhappy, he said, in the presence of an ungratified want. Happiness is possible only when the want is gratified, but at that moment two other clamorous wants take its place, so that the last state of that man is worse than the first.

Fortunately, man has power to control and repress his wants, and can find a large degree of happiness in exercising such control. He whose every want must be gratified has not risen high above the brute, but the reasonable gratification of reasonable wants does not tend to unhappiness.

Indeed, where natural wants are uniformly repressed, progress ceases. When not impelled by want, man lacks ambition. Such a condition may be idyllic, like the existence of the simple Acadians, or it may be diabolic, like life under the caste system of India. With no hope of rising beyond the caste into which he is born, man's wants, ambitions, aspirations, all are atrophied, and civilization is retarded.

Why is there famine in China and plenty in America? The Chinese are industrious and thrifty; they work unceasingly and are strangers to waste. Yet the product of their labors is not sufficient to save them from starvation. Is it not because they have lacked the great organizers of business to order their work to the best advantage, the bankers to put their savings into profitable enterprises, and the railroad magnates to bind their land together?

A nation's prosperity is based not alone on natural advantages and the industry and thrift of its people, but equally on the ideas of enterprising men who serve their nation in developing their own business.

The successful business man is one who has sensed an unsatisfied want and found the way to fill it. Joseph, the first recorded national food controller, knew that the people of the world would soon be in dire want for food and he devised the means of providing for that want. A royal garment and the signet ring of the Pharaoh were none too great reward for his perspicacity and business sense.<sup>1</sup>

But often a want, unexpressed or unknown or even non-

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<sup>1</sup> Genesis 41, 42.

existent, is the only basis for building a business. There was no demand for the typewriter before it was invented and put on the market; New England people did not want bananas before the fruit was first brought to these shores; but who today would willingly contemplate a typewriterless and bananaless existence? We honor the men who labored to arouse these wants and provided the means of supplying them.

There is, then, in the fundamental operation of business one basis on which a noble structure may be erected. So far as his labor helps to supply a worthy human want, the business man may feel that he, certainly no less than the soldier, the prophet, and the priest, is helping raise humanity to a higher level.

**Controlling the Destinies of Others.**—And there is yet another. "The merchant's function," to refer again to Ruskin, "is to provide for the nation. . . . He has to understand to their very root the qualities of the thing he deals in and the means of obtaining or producing it; and he has to apply all his sagacity to the producing or obtaining it in perfect state, and distributing it at the cheapest possible price where it is most needed.

"And because the production or obtaining of any commodity involves the agency of many lives and hands, the merchant becomes the master of large masses of men . . . and it becomes his duty, not only to be always considering how to produce what he sells in the purest and cheapest forms, but how to make the various employments involved in the production or the transference of it most beneficial to the men employed."

Not only in supplying human wants with the products that he handles, but in wise and righteous dealing with his own employees does the business man find bases for heroic



service. Witness scores of our leaders in commerce and industry, whose lives are filled with service. They lack the sword of the soldier, the halo of the prophet or the garb of the poet; they make no claims to superiority or to greatness, but they are doing the work of heroes—serving the world sincerely and honestly, supplying human wants and dealing justly with their fellow men.

A man may be a good business man and not be consciously religious; but he cannot be a good business man if he fails to practice the basic principles of ethics.

Business ethics demands untarnished personal honor; an honesty sounder and surer than any moralist has preached. The strong business man must be one who

“Couldn’t lie if you paid him  
And who’d starve before he stole.”

and he must not be one to quibble about technicalities of lying and stealing. There can be for him no twilight zone between honesty and dishonesty. He will not repudiate his word even to save himself from bankruptcy. He will not ruthlessly cancel orders on a falling market nor insist upon ruinous deliveries when prices are soaring. That this clause of the code is sometimes violated does not affect its general acceptance.

**A Place for a Hero.**—There is excitement and romance in business; and there is the humdrum and commonplace. There is the opportunity for service and for sacrifice; and while the supreme sacrifice may never be demanded, the great man in business will display towards it the attitude of the hero. Modern novelists who select business men for their heroes have sensed the change in the commercial world. The highest type of business man of our time is a potential hero.

### Summary of Chapter XII

In accepting service rather than profit as the first motive of business we bring it into the field where self-sacrifice, or heroism, is an essential characteristic. The traders of past generations did not, as a class, recognize this motive, but based their conduct on personal gain, and, as a result, were commonly regarded as enemies of society.

With the newer conception of business as the force which provides for the wants of the public the attitude of the business man has changed. Commerce has developed the world's resources and given the business man a professional standing comparable with that of other men whose work is distinctly heroic.

## CHAPTER XIII

### BUSINESS AND ITS ETHICS

An Address by J. C. PENNEY

James Cash Penney is the founder and head of the Penney system of chain stores. Beginning with a single store in a small town in Wyoming, in 1902, the system, which is based on a co-operative plan, has extended throughout the United States, and with a total of 571 stores and 5,000 co-partners and employees in 1925, is still growing rapidly.

The address which follows was delivered by Mr. Penney, in May, 1924, before the Honor Society of the College of Business Administration of Boston University. Because it so admirably illustrates the development and application of ethical principles in retail business it is, with Mr. Penney's consent, included in this volume.

Business today is conducted on a very different, on a very much higher plane, than ever before. Not many years ago "Let the Buyer Beware" was the generally accepted principle of a business deal. In those days ethics had no place in business. The merchant felt no responsibility toward his customers. Indeed, he was considered a shrewd and clever artisan if he could get the better of his public. Such a merchant today has neither standing in his own business fraternity nor in his community. Today the merchant's business is definitely to render service and give full value in every detail to his clientele. Today the big business man is, or should be, as much concerned about his ethics as is the minister and the educator.

My purpose in this address is briefly to sketch the old and new ideas of merchandising, and I shall illustrate my points from my own personal experiences.

When a boy I worked one summer in a grocery store in the town where I was born and raised. I remember distinctly seeing the proprietor emptying packages of coffee into a canister which was supposed to contain the best Mocha-Java coffee. This sold at nearly double the price of the package coffee. The incident made a bewildering impression upon me and I told my father of it. My father had traded with this store for years and had complete confidence in the man who owned it. But I noticed that soon after my telling of the coffee incident, my father withdrew his trade from this store. He felt he could not again trust its owner. This particular grocery store continued for some time and on the surface it had all the appearances of success, but my father was only one of many who eventually became disillusioned. In the end the store failed, and it may be of interest to know that the children of the owner of this store have made no great success. To me, a little later in my life, this experience began to stand out as one of the most concrete examples of how we *get real results* only in proportion to the *real values we give*.

Twenty-nine years ago I got my first real job in a dry-goods store in my home town. I will not attempt to relate in too great detail my experiences during those early years though to me each and every one was full of significance, laying the very foundation on which I built my business career. Incidentally, however, it may be of interest to know that my first job paid me the munificent salary of \$25 for eleven months. This amounted to a trifle over \$2.27 a month, and on that sum I had to clothe myself. At this job I worked six days a week, the hours being from seven in the morning until the store closed, which often was not until midnight.

This store was located in a town in northern Missouri inhabited by about two thousand persons, in the heart of a rich farming country. There were eight clerks in the store. When I began work here I soon found that each clerk in the store had his own individual customers. It was a common thing when I approached customers to have them say to me: "I will wait for Harry or John." At first I could not understand why they would not give me a chance to wait on them, especially since some of those people were counted among my father's friends, and since I knew that I was willing and could serve them well. But this mystery of each customer having his own pet clerk soon became clear to me, and the solution of the mystery was that the pet clerk granted some concession in the price, some

special favoritism. Before very long my youthful mind perceived that if I was to make a place for myself in that store and gain a personal clientele, I too had to begin to make special prices for my customers. I fell into this pernicious custom, and presently I had customers who would buy only from me.

I observed many things regarding prices in this store. Strangers would be sold at the highest price possible. On the other hand, influential families of the community, who could afford to pay, usually were able to buy at cost plus ten per cent. This irregularity of dealing with customers was bound to create ill feeling among them, for it was only natural that customers who had bought the same article would compare prices outside of the store, and those who found themselves charged more than their neighbors would naturally feel angry at the store. This condition made it next to impossible to bring the best results to the store, and it certainly kept me in a state of turmoil as to where my responsibility lay. I could not serve two masters and do justice to both. I had my responsibility to my proprietor and I felt my responsibility to my customers, but in those days at \$2.27 a month, working on an average twelve hours a day, there was very little strength left for thought and analysis. But vaguely I did begin to see the business folly, if I did not then think it bad business ethics, of different prices for different customers—and I put the method out of my life forever.

This custom of special prices was not peculiar to this one particular store, but was the established practice of every store in town. And I am of the opinion that this same condition existed in most small and medium-sized towns in that period.

The general policy of stores at that time was to get the highest possible price for every article. In opening up and marking new merchandise the proprietor would invariably ask each salesman: "How much will this article bring?" Of course each man would suggest a price that would mean an exorbitant profit; this in order to have a wide and safe margin for the expected dickering. There was no hard and fast rule for trading. In those days no one thought of, or talked of overhead, mark-up and turnover. They would have been regarded as terms from a foreign language which no one understood. In fact, I myself would not then have known what they meant. On the other hand, today the merchant who does not know how to figure overhead, who does not know his rate of turnover, who is not extremely careful of his mark-up—that merchant is fast being



eliminated. He no longer can call his clerks together and ask, "What will this item bring?" But instead, the enlightened modern merchant asks such questions as: "How cheaply can we sell this article?" "How many times annually can we turn our stock?" "How low can we hold our expenses with adequate return to ourselves, and still render the greatest service to our customer?" Such as these are the vital questions asked every day by every modern merchant: and in the proper answers lies the main difference between Failure and Success.

At quite an early age I went West, stopping in Denver. I secured temporary employment in a "Gent's Furnishing" store. One day, in going through the stock for the purpose of familiarizing myself with it, I came upon a lot of men's half hose marked to sell at two different prices, but marked as costing the same amount. I went to the proprietor, thinking there had been a mistake in the marking of this hosiery, which was all of exactly the same quality. He looked at me rather impatiently, and said, "Young man, mind your own business. Sell the hose marked at the higher price"—which was twenty-five cents a pair—"to your customer if you can, and if he says the price is too high and if you cannot sell it at that to him, then show him the other"—which was two pair for twenty-five cents. This incident, trifling in itself, fully illustrates the ethics of the merchant of that period.

A one-priced store in those days was the exception rather than the rule, and those who attempted to run such a store were subject to much comment. In fact, few merchants believed such a store could be successfully conducted; but I am proud to say, in behalf of the merchandising standards of the present, that today a store which values its reputation will not think of having two prices. The transformations of the last quarter of a century have brought with them a higher type merchant, whose goods are no longer marked in a secret code, but in plain figures at one price, and as a rule that fixed price represents only a reasonable percentage of profit.

The old evil of two prices, and special prices, has practically been eliminated by the growing ethical sense of the merchant toward his customer. But there remains another unethical practice, and that is the "Sale" evil. I am of the opinion that this custom is also fast being discontinued; and I will welcome the day—in fact, I expect to see it—when the man who conducts the so-called "Anniversary Sales" or any other trumped-up excuse to stimulate business and get

rid of undesirable stock will be looked down upon just as the two-priced man is today.

As I said in the beginning, business is conducted today on a very much higher plane than ever before; higher moral standards have developed the ideal of selling at one and a fair price. Imagine the demoralizing effects upon all concerned, proprietor, clerk, customer, of conducting business in the old unethical way! Try to imagine how I felt showing those socks at a quarter a pair, when I knew full well that the same make and grade, in another box, was marked two pair for a quarter! Whether stated or not, the customer took it for granted that he was getting a better hose by paying the twenty-five cents. Can't you see that such a practice was a direct cause of dishonesty among salespeople? Would it not be the natural thing to expect a salesman to steal, if he could, from his employer, when he was expected to steal, if he could, from his customer for his employer's profit? Don't you realize that such deception makes automatic liars out of men? I give thanks again that business is today conducted on a higher plane!

I was never happier in my life than when, twenty-five years ago, I found in the West a store doing business upon a cash and a one-priced basis. It was the only store in town conducted upon this principle. I applied for, and secured, a position in that store. I delighted in showing and selling goods; it was a new joy that here everything was marked in plain figures. The most influential man in town paid the same as the lowliest laborer, and received, too, the same consideration. I could wait on a third to a half more people than in stores I had formerly worked in. There was no wrangling, juggling or deception. Everything was open and above board. This all gave me confidence in the goods I was selling, and confidence in myself. I could look the customer straight in the eye, for I knew that each article was certainly bought on the right basis and sold on the right basis, and bore only an honest profit. Instead of the proprietor saying: "Boys, how much will this article bring?" he asked: "How low can we sell this article with a fair deal to everyone, and make our regular percentage of profit?"

It is needless to say that this way of merchandising had a wonderfully stimulating effect and influence on my life. It was as if my whole being had been transformed. I was at that time able to realize what effect this first experience in a one-price store might have on my life, for this experience came in the formative period of youth

and early manhood. I realized what an influence for good the training in this store would be were I ever to start a store of my own. Here I felt happier—freer. It developed a moral fibre that gave me self-respect. I could stand up straighter. In this environment I fairly felt myself grow in every way. Life in that clean, honest business atmosphere took on an ever greater promise, for I had been taught at home that honesty is the best policy.

It was my experience in this honest, one-price store that gave me my inspiration for a system of stores. True, when I started my first store, I never dreamed of the system gaining its present-day proportions. But I worked, for it was a real pleasure to work. The days were not long enough. And the idea of responsibility toward my customers grew, and kept on growing. Thus the foundation was laid, slowly and solidly, on which our present structure rests—a structure of over five hundred stores doing business in thirty-nine states. While we have always believed in advertising, the appropriation per store has not been one-half of the amount expended by the average country store. Service to each and every customer, so that each might be a walking advertisement—that is and always has been our idea. Customers in our stores today are made to realize that we are their servants; that in selecting all our merchandise we have this specific thought in mind; “Will it please our trade?”

In this connection I want to contrast the method of buying today with the method of a few years back. It was no uncommon thing in the early days for a wholesale house to have a regularly appointed committee to take care of visiting merchants. These trips to the great market centers, therefore, were considered by many as a vacation. The recipient of such favors naturally felt obligated to the firm that entertained him. The buyer never felt free to bargain for a better price; nor could he very well shop around to see where he could do the best for his customer back home. The result of this system was, as you can plainly see, that the merchant paid a long price for his merchandise, for in reality he paid for all this entertainment, and the increase was passed on to the consumer. Today there is comparatively little of such buying being done. In fact, competition is so keen among the retailers of the country that a merchant coming to the city will comb the market for the best possible prices and the styles best suited to his trade.

I also wish to record a notable change in business ethics during the last twenty-five years in the matter of the manufacturing of

goods. Instead of sweat-shop goods, produced under unsatisfactory conditions, by underpaid men and women, and even children, goods are made under the closest supervision and inspection. Living conditions are greatly improved. The wages paid offer those employed in the manufacture of goods a better living and in more wholesome surroundings. To me all such changes represent good business, and also good ethics. They result in better workmen, who produce better goods for the consumer. They also result in better citizens, and the promise of a better generation to come.

And as conditions have improved in the manufacturing end, so have they improved in the distribution end. The old general store, having side-meat, sorghum, crude oil, along with silks, satins and dress goods, is very much a thing of the past. The place wherein men might congregate, discussing politics and religion, has gone with it. The progressive store of today has a modern front, with windows all carefully trimmed. The interior is equipped with modern fixtures, and has proper ventilation and light. The pet clerk of the old type has been superseded by the real salesman, capable and desirous of presenting to the customer an article the customer really needs, the article that will satisfy—this at a reasonable profit, and no more.

The successful merchant, today, does not endeavor to hold down his overhead by seeing how cheaply he can hire his help. He pays them well, looks after their comfort, and really has their welfare at heart. One great reason for the success of the organization of which I have the honor to be a part, is the fact that we allow our managers to share, in part, in that which their labors produce. As stores are started, every man in the store takes a step forward. Therefore there is always the incentive for a man to do his best, and in doing this he naturally renders a greater service to the customers of the store. And, while I think our organization is unlike any other, I am of the opinion that the successful merchant today is thinking more than he ever did of interesting his employees financially in his business. I think I am in a position to speak authoritatively on this subject, and, therefore, do not hesitate to say that in my opinion the next twenty-five years will see a great forward movement along this line. Merchants are in business, primarily, to make money. But if they make this money through the deprivation and sacrifice of others, then they are unethical, and the natural development of business will attend to their elimination. No merchant, in my estimation, can or

will continue to be a success who tries to base success upon unfairness and injustice.

The modern store furnishes one of the greatest opportunities for a practical liberal education. Each customer is so entirely different, and there are dozens of different human contacts daily. Right here is one of the best chances I know for studying human nature, and a broad, true conception of human nature is one of the chief fundamentals for any success on a large scale. The young man, by studying this ceaseless stream of people, by studying the source of manufacture and construction of the different kinds of merchandise, can benefit his personal interests to the very limit of his capacity, and also fit himself to be of most intelligent use to the world.

Business as it is conducted at present is on as high a plane as that of any profession, and, with the professions, its standards are constantly being pressed to higher levels. The young man who starts in today to learn any worthy business should feel that he is entering upon a field in which he will find unlimited opportunity for self-expression, for the rendering of service. Business at its best requires the finest understanding of the relationship of human beings, for business is just another word for the social, industrial and economic organization of our present world. Business has its sacred obligation; and any person who enters business with the sole idea of self and money, is utterly unworthy. No amount of education, no preparation, no amount of spiritual development, is too great for the activities of this basic function of civilized life—business.



## CHAPTER XIV

### SUMMARIES OF ETHICAL PROCEDURE

**Principles and Codes.**—From any detailed study of business methods we may deduce concrete principles of conduct. The many codes of ethics adopted by business organizations are summaries of generally accepted ethical procedure. In many cases, however, these codes are intended to cover specific cases and are made up of categorical rules rather than of principles applicable to all cases and circumstances. For more general consideration the following principles are presented.

**Ethical Principles.**—1. The effort of every man to advance his own welfare with due regard to the welfare of others is right and ethical; and every man is entitled to full opportunity for such advancement.

2. Business is based on fair exchange: money, goods, or services for equivalent money, goods, or services. Something for nothing, or for an inadequate return, is unethical, uneconomic, and in the end immoral.

3. To seek or accept value for which a fair equivalent is not given is unethical and results in dishonesty.

4. Taking advantage of an abnormal demand to secure an abnormal profit is unethical.

5. The outstanding characteristic of business must be service—the successful effort to maintain a constant supply, to consistently improve quality, and to reduce cost.

6. To serve the community a business must first provide for its own people. It is ethical for a business to earn money from which to pay wages sufficient to allow workers to live

in comfort; and in addition, sufficient to pay a fair return on invested capital.

7. Ethics promotes cooperation, mutual respect and faith in one's fellows, all of which are essential to the spirit of service.

8. Waste of time, energy, material or money—anything which adds to cost without adding to value—is uneconomical and unethical.

9. The fulfilment of every obligation, express or implied, in letter and spirit, is a fundamental of ethical conduct.

10. The Golden Rule, "Do unto others as ye would that they should do unto you," rightly interpreted, is the most complete of ethical standards.

#### PRINCIPLES OF BUSINESS CONDUCT, ADOPTED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES

##### I

THE FOUNDATION of business is confidence, which springs from integrity, fair dealing, efficient service, and mutual benefit.

##### II

THE REWARD of business for service rendered is a fair profit plus a safe reserve, commensurate with risks involved and foresight exercised.

##### III

EQUITABLE CONSIDERATION is due in business alike to capital, management, employees, and the public.

##### IV

KNOWLEDGE—thorough and specific—and unceasing study of the facts and forces affecting a business en-

terprise are essential to a lasting individual success and to efficient service to the public.

##### V

PERMANENCY and continuity of service are basic aims of business, that knowledge gained may be fully utilized, confidence established and efficiency increased.

##### VI

OBLIGATIONS to itself and society prompt business unceasingly to strive toward continuity of operation, bettering conditions of employment, and increasing the efficiency and opportunities of individual employees.

##### VII

CONTRACTS and undertakings, written or oral, are to be performed in

letter and in spirit. Changed conditions do not justify their cancellation without mutual consent.

wrong. Business will rely for its success on the excellence of its own service.

## VIII

REPRESENTATION of goods and services should be truthfully made and scrupulously fulfilled.

## XII

CONTROVERSIES will, where possible, be adjusted by voluntary agreement or impartial arbitration.

## IX

WASTE in any form,—of capital, labor, services, materials, or natural resources,—is intolerable and constant effort will be made toward its elimination.

## XIII

CORPORATE FORMS do not absolve from or alter the moral obligations of individuals. Responsibilities will be as courageously and conscientiously discharged by those acting in representative capacities as when acting for themselves.

## X

EXCESSES of every nature,—inflation of credit, over-expansion, over-buying, over-stimulation of sales,—which create artificial conditions and produce crises and depressions are condemned.

## XIV

LAWFUL COOPERATION among business men and in useful business organizations in support of these principles of business conduct is commended.

## XI

UNFAIR COMPETITION, embracing all acts characterized by bad faith, deception, fraud, or oppression, including commercial bribery, is wasteful, despicable, and a public

## XV

BUSINESS should render restrictive legislation unnecessary through so conducting itself as to deserve and inspire public confidence.

A PLATFORM OF INDUSTRIAL PEACE<sup>1</sup>

## SERVICE

The main working rule for those who engage in any basic business must be Service. The people, who maintain the market for all goods, energy, and skill, must have a continuous supply of every essential of life. Service may be defined as the successful effort continuously to keep up supply, raise quality, and reduce cost. In the long run profits and wages are earned and should be received by any of us only in the measure that we serve.

<sup>1</sup> Reprinted, by permission, from *Collier's Magazine*, March 3, 1923.

### REWARD

To serve the community a business must produce and distribute in such volume, and at fair prices, as to be able to take care of its own people. It must earn money to pay its workers wages which will support life in comfort. It must provide continuous work under healthful conditions, free the creative energies of all workers, and offer incentives to improvement of production.

### CAPITAL

To provide means by which its workers can earn their living, a business must have capital. This money and property must be hired, as workers are hired, and must be paid for, as work is paid for. Capital is saved by many, not looted by a few, and that service of saving must be rewarded. In the interest of the workers and the people every basic business must earn its way, pay a return on needed capital, meet its debts when due, and build strongly for the future.

### MANAGEMENT

Earnings, through service, is the job of management. When a business does not pay fair wages for work and for capital, the fault is usually with management—in the factory, in the office, or in finance. If management is hampered by rules of government or labor, this is a condition which must be met and dealt with, not an excuse for failure. We must respect and reward the task and service of management.

### LEADERSHIP

Owners, and lenders, are usually responsible for management, whether good or bad, and must be the first to pay, in reduced earnings, the penalty for its mistakes. The public must not be asked to pay higher prices, nor the workers to take lower wages, until all possible has been done to lower costs, better methods, stop gambling, improve merchandising, and thus increase earnings as based on service.

### OPERATION

Management must keep the business going, and not shut down to gamble in prices or wages. It must plan the entire business—

financing, buying, manufacturing, and selling—so that goods pass from raw materials to the consumer continuously and at steady prices based on service. Management must work for higher quality and for a constantly better use of machines and men, a constantly better organization of the field and of the industry. It should never be allowed to combine when it ought to compete, nor forced to compete when it ought to combine.

## WORK

Workers, whether or not in labor organizations, must help increase production and promote good feeling within the business served by each trade. All working rules should increase output, harmonize and educate fellow workers, and strengthen the human desire to serve. Such rules should make for the increasing of real wages earned by work done and service given on the job.

## COOPERATION

Workers and managers must know and have faith in one another. In each plant, district, or other unit of basic industry there should be a council, works committee, or other body of representatives, chosen by and from the workers in each such unit, to meet with the managers. These councils should confer on questions as to wages, working and business conditions and production. They should meet regularly and often, to prevent disputes, increase knowledge and build the fellowship of service.

## KNOWLEDGE

The main facts as to the life, growth and progress of every basic business, whose service is essential to all the people, must be made public and available to the rank and file of workers, and to the people who look to the industry for service, as well as to stockholders, directors, and managers. For example:

Balance sheet, principal items in detail, and explained.

Routine report of expenses, profits, and operating facts.

Funds held by labor, by employers, and by civic bodies concerned with the industry.

Grievances, remedies proposed, and agreements.

Wage and salary scales, hours of labor, and working rules.



## PEACE

The best arbitration is to need none. Government must not make arbitration compulsory, deny the right to work or to stop work, or decide issues arbitrarily by injunction. Workers and managers in the units of basic industry should plan in advance to submit to arbitration any differences which their own councils may be unable to settle. These agreements should name the chosen arbitrators and provide for publication of facts, so that appeal may be made to public opinion. Public opinion, informed and organized, is the one compelling force which will build justice and peace in all our basic industries.

## CHAPTER XV

### CODES OF ETHICS

**The Basis of Selection.**—The codes here presented are typical of many: while they are the outgrowth of the business practices of the various organizations, they represent the highest standards of conduct. In some cases an attempt has been made to provide for practically every contingency by a fixed rule, while in others the emphasis has been placed, probably with greater wisdom, upon the spirit rather than the letter.

#### Code of Ethics of the

#### ROTARY INTERNATIONAL

(Adopted July, 1915)

As a Rotarian it is my duty:

1. To consider my vocation worthy, and as affording me distinct opportunity to serve society.

2. To improve myself, increase my efficiency and enlarge my service, and by so doing attest my faith in the fundamental principle of Rotary, that he profits most who serves best.

3. To realize that I am a business man and ambitious to succeed; but that I am first an ethical man and wish no success that is not founded on the highest justice and morality.

4. To hold that the exchange of my goods, my service and my ideas for profit is legitimate and ethical, provided that all parties in the exchange are benefited thereby.

5. To use my best endeavors to elevate the standards of the vocation in which I am engaged, and so to conduct my affairs that others in my vocation may find it wise, profitable and conducive to happiness to emulate my example.

6. To conduct my business in such a manner that I may give a perfect service equal to or even better than my competitor, and

when in doubt to give added service beyond the strict measure of debt or obligation.

7. To understand that one of the greatest assets of a professional or of a business man is his friends, and that any advantage gained by reason of friendship is eminently ethical and proper.

8. To hold that true friends demand nothing of one another, and that any abuse of the confidence of friendship for profit is foreign to the spirit of Rotary, and in violation of its Code of Ethics.

9. To consider no personal success legitimate or ethical which is secured by taking unfair advantage of certain opportunities in the social order that are absolutely denied others, nor will I take advantage of opportunities to achieve material success that others will not take because of the questionable morality involved.

10. To be not more obligated to a Brother Rotarian than I am to every other man in human society; because the genius of Rotary is not in its competition but in its cooperation; for provincialism can never have a place in an institution like Rotary, and Rotarians assert that human rights are not confined to Rotary Clubs but are as deep and as broad as the race itself; and for these high purposes does Rotary exist to educate all men and all institutions.

11. Finally, believing in the universality of the Golden Rule—all things whatsoever ye would that men should do unto you, do ye so even unto them—we contend that Society best holds together when equal opportunity is accorded all men in the natural resources of this planet.

### Code of Ethics of the

### AMERICAN BAKERS' ASSOCIATION

(Adopted 1921)

1. I recognize my duty to the American home to be to make my product of highest food value at lowest cost.

2. I believe that the rendering of honest and efficient service on the part of my employees deserves fair consideration and that they should receive a fair return for their labor and be enabled to enjoy healthful surroundings, both physically and morally. I recognize a man's inherent right to work with freedom of conviction, without prejudice and I will expect only an honest day's work and thoughtful consideration of our mutual interests and obligations.

3. I recognize my obligations to my fellow baker and especially to this association and its membership, in the maintenance of its high standards and the increase and preservation of its reputation with the public, and pledge myself to be fair in all my relations with my competitors and consistently to abstain from all practices which are recognized by trade associations in general, and by this association in particular, as unfair trade practices.

4. I believe that service is the basis of all progress and that I can render the best service and meet my obligations to the public, my employees and my associates in the industry, and still receive that compensation which must be the reward of all legitimate business. I therefore pledge myself further, in the interest of fair prices and fair profit, at all times to keep and maintain adequate cost records and to give honest information to any official or inspector entitled thereto.

5. I will use no materials or ingredients other than those of known purity and wholesomeness in the manufacture of my products.

6. I will at all times adhere rigidly to the truth in all my advertising.

7. I will keep my plant and premises at all times as clean and sanitary as is humanly possible, and welcome public inspection at all times. I shall expect of my employees what the public has a right to expect of me, that we keep ourselves morally and physically clean.

8. Recognizing in the giving of premiums and secret discounts a serious trade evil, I pledge myself to abstain from initiating any such practices in the conduct of my business and to abstain from such practices except as compelled by competitive conditions.

9. Finally, I agree to maintain the highest standards of ethical and moral practices throughout the conduct of my business, so as to give the public the best service and reflect credit on my association and my industry.

#### Code of Ethics of the

#### AMERICAN DENTAL ASSOCIATION

(Adopted July 2, 1923)

1. In his dealings with patients and with the profession, the conduct of the dentist should be in accordance with the Golden Rule, both in its letter and in its spirit.

2. It is unprofessional for a dentist to advertise by handbills, posters, circulars, cards, signs, or in newspapers or other publications, calling attention to special methods of practice or claiming excellence over other practitioners, or to use display advertisements of any kind. It is also unprofessional to publish reports of cases on certificates in the public prints. This does not exclude a practitioner from using professional cards of suitable size with name, titles, address and telephone number, printed in modest type, nor having the same character of card in a newspaper. Neither does it prevent a practitioner who confines himself to a specialty from merely announcing his specialty on his professional card.

3. It is unprofessional for dentists to pay or accept commissions on fees for professional services, or for radiograms, or on prescriptions or other articles supplied to patients by pharmacists or others.

4. One dentist should not disparage the services of another to a patient. Criticism of operations which are apparently defective may be unjust through lack of knowledge of the conditions under which they were performed. But the welfare of the patient is paramount to every other consideration, and should be conserved to the utmost of the practitioner's ability. If he finds indisputable evidence that a patient is suffering from previous faulty treatment, it is his duty to institute correct treatment at once, doing it with as little comment as possible and in such a manner as to avoid reflection on his predecessors.

5. If a dentist is consulted in an emergency by the patient of another practitioner who is temporarily absent from his office, or by a patient who is away from home, the duty of the dentist so consulted is to relieve the patient of any immediate disability by temporary service only and then refer the patient back to the regular dentist.

6. When a dentist is called in consultation by a fellow practitioner, he should hold the discussions in the consultation as confidential, and under no circumstances should he accept charge of the case without the request of the dentist who has been attending it.

7. The dentist should be morally, mentally and physically clean. He should be honest in all his dealings with his fellow man, as comports with the honor and dignity of a cultured and professional gentleman.



## Code of Ethics of the

AMERICAN SPECIALTY MANUFACTURERS'  
ASSOCIATION

(Issued November 15, 1922)

## THE SPECIALTY ORDER

## MANUFACTURER—WHOLESALE—RETAILER

1. Ever to be mindful of and guided by the fundamental principle that they are engaged in a business affected by a great public interest and serving a paramount public purpose, wherefore they should constantly and earnestly strive, at all times, to elevate it to the highest plane of efficiency, integrity and usefulness.

2. Always to deal each with the other in a true spirit of justice, amity, courtesy and tolerance, and in pursuance of the elementary conception of right and honorable business conduct which should and must prevail in a society built upon the sure foundation of a democracy, organized in harmony with the most enlightened civilization in history, and finally directed to preserve individual opportunity and free and fair competition in the enhancement of the general welfare.

## MANUFACTURER

1. To produce and merchandise only products which are pure and wholesome in composition, true to representation, properly put up, packed and shipped, and comply, in all respects, with all applicable laws.

2. To aid the wholesaler and retailer, insofar as it lies within his power so to do, in preventing loss to them due to improper or excessive storage of his products.

3. To protect the wholesaler and retailer against liability or loss arising out of their purchase and sale of his products, if and where such loss is duly established to result from his fault.

4. To solicit no order from the basis of a promise he cannot fulfill, and to fulfill, completely and exactly, each and every obligation assumed by him in taking an order.

5. To accept no order for a quantity of his products which is

reasonably apparent to be beyond the retailer's ability to buy and duly sell.

6. To accept no order unless and until it contains (a) a complete and correct printed or written statement of all the terms of the purchase, which terms are plainly explained to the retailer when the order is given; (b) the name of the salesman who secured it; (c) the signature of the retailer, written by him or for him by his duly authorized agent, in which latter event the personal signature of the agent shall also appear, together with the address of the retailer; and (d) the name of the wholesaler for whose account the order is taken.

7. To deliver to the retailer, at the time the order is given, a true and identical copy of his order.

#### RETAILER

1. To consider and treat each and every order he gives as a solemn and binding contract imposing upon him an inescapable legal and moral obligation to accept delivery in pursuance of its terms.

2. To give no order unless and until he truly desires to purchase and unquestionably intends to accept delivery in pursuance of its terms.

3. To give no order unless and until it contains a complete and correct printed or written statement of all the terms of the purchase, and he fully understands such terms.

4. To give no order unless and until he receives a true and identical copy.

5. To purchase prudently and within the limitations of his measured ability to buy and duly sell.

6. To store his products in a proper manner and to sell his older stock first.

7. Not to divert the demand of the consumer for and from a particular speciality product in his stock.

#### WHOLESALE

1. Promptly to accept or reject an order submitted to him for acceptance.

2. Promptly to return to the manufacturer (or, at his option, to the American Specialty Manufacturers' Association, where the

order bears the stamp of that Association) an order declined by him.

3. Promptly to offer the delivery of an order accepted by him in pursuance of its terms and to use every reasonable effort to secure the acceptance of its delivery by the retailer.

4. Promptly to notify the manufacturer (or, at his option, the American Specialty Manufacturers' Association, where the order bears the stamp of that Association) of the refusal by a retailer to accept the due delivery of an order given by him, returning it, stating the circumstances of the refusal.

5. To refer no order accepted by him to either his salesman or the retailer for approval or confirmation.

6. To treat a retail order secured and presented by the manufacturer with the same consideration, care and dispatch as an order secured by his own salesman.

7. To store his products in a proper manner and to sell older stock first.

8. Not to divert the demand of the retailer for and from a particular specialty product in filling specialty orders.

#### **Code of Ethics of the**

#### **NATIONAL ASSOCIATION OF RETAIL GROCERS**

(Adopted 1919)

1. To consider my vocation worthy as affording me distinct opportunity to serve society.

2. To elevate the standards of my vocation to a higher plane.

3. To appreciate the deep responsibility and trust placed in me as the distributor of foods, upon the quality of which holds the future health, happiness and prosperity of our nation.

4. To hold that the exchange of my goods, my service and my ideas for profit is legitimate and ethical, provided that the parties within the exchange are benefited thereby.

5. To respect my competitors and take no undue advantage of them, should the opportunity afford.

6. To support my local, state and national association.

7. To value my citizenship and place my country and my flag next to my God.

8. Believing in the universality of the Golden Rule, "All things

whatsoever you would that men should do unto you, do ye so unto them," I will inculcate this idea in all my dealings.

#### DECLARATION OF PRINCIPLES

With a keen realization of the responsibility of the retail grocers of the United States as an important unit in the distribution of the Nation's food; with a full recognition and deep sense of appreciation of the necessity for maintaining him as an efficient factor for the performance of his functions to the greatest satisfaction and to the best interest of the consumer—and for the purpose of promoting equitable dealing and harmonious relationship between food trade factors—the National Association of Retail Grocers announces the following declarations as representing desirable fundamentals for the guidance of manufacturers, wholesale distributors and retailers whose sense of fairness to the consuming public prompts the adoption of a business policy of equity, dependability and reasonable protection against trade piracy, and those practices which are destructive and otherwise conducive of being detrimental to honest merchandising.

#### SHOULD BE MEMBERS OF ASSOCIATIONS

We believe that all retail grocers should be members of the Local or State Associations in their respective localities.

#### HAVE IDEALS AND THOROUGH KNOWLEDGE OF BUSINESS

We believe that they should first strive to live up to the Code of Ethics of the National Association, and, second, learn about the Better Grocers' Bureau and aim to qualify for admission to Certified Membership.

#### LICENSING THE RETAILER

We believe that the much-discussed subject commonly referred to as "too many retailers"—and particularly as emphasized in the facts given in the report of the Joint Commission of Agricultural Inquiry—demands the thoughtful study of the public as well as the trade itself; while a plan of state licensing may be effective for

developing constructive restriction, we are not in favor of such legislation until the same may be solved and finally developed through the process of orderly economic research with subsequent practical control, and not through the haphazard expediency of political influence.

#### ENDORSE ESTABLISHED CHANNELS

We regard the established methods of distribution—from producer or manufacturer to wholesaler and from wholesaler to retailer—as providing a logical and natural channel of distribution, which has been developed to meet the demands of progress and endured the test of time, and which will continue to perform the functions of distribution more economically than any so-called more direct methods, entirely to the extent that those factors operate efficiently and with fairness, one to the other.

#### RECOMMEND PRICE SUPERVISION

We believe in the principle of the minimum resale price or such other proposals of standard price control as will provide reasonable and equitable protection to the public which is deceived by the reckless price-cutter, who destroys the best interests of manufacturer, distributor and consumer by methods of trade piracy of this kind.

#### MANUFACTURERS SHOULD PROTECT

We believe manufacturers should voluntarily adopt such measures as they are legally permitted to, and we do not consider that a manufacturer is properly supporting his distributors—either wholesale or retail—when he does not exercise every effort within his power to prohibit slaughtering prices of his brands by the distributor who resorts to unfair methods of competition.

#### SELLING BELOW COST IS UNFAIR AND DECEPTIVE

We believe that it is unfair competition for identified, trademarked goods, especially, to be sold below cost, and commend any efforts which are made to control, prohibit or abate this practice.



## POSITION ON COOPERATIVE BUYING

We do not recommend cooperative buying and do not subscribe to the policy that a retail grocer should go into the wholesale business in order to maintain his position as a retailer; but, when competitive conditions cannot be met through obtaining merchandise from regular channels, and when, in such cases, he is of the opinion that the wholesale function can be performed more economically by the process of cooperative buying—and when through such conditions retailers of their own initiative and enterprise and with their own capital, adopt such protective measures, then we believe they are entitled to every consideration as wholesalers and should not be deprived of the fullest privilege to buy any articles which they may need in order to render the most efficient service to those who have joined in cooperation for this purpose.

## WHOLESALE IS AN ASSEMBLER

We regard the wholesaler as an assembler, performing an essential function of distribution which must of necessity be rendered by some particular agency. Therefore, the wholesale or assembling function is this and nothing more, no matter who performs it, so long as the goods are assembled at a given location—the wholesaler's warehouse—for distribution to retail stores—and we do not believe anyone performing such a function should be denied the privilege of purchasing direct from the manufacturer—so long as the same prices are made to all assemblers performing the wholesale function without secret rebates, advertising allowances or special service to any particular one to the disadvantage of others.

## QUANTITY DISCOUNT APPROVED

We believe in the quantity discount; so long as it is based only upon the difference in cost of handling and not calculated upon an excessive differential which places the smaller buyer at an unfair disadvantage, and only so long as this discount is allowed to all buyers with equal service in the way of calling for orders and delivery of goods.

## UNFAIR COMPETITION SHOULD BE REGULATED

We believe that all unfair competition practices are unlawful and detrimental to public welfare. We therefore approve of any effort made to control or stop such practices.

## TRADING STAMPS AND GIFT SCHEMES DECEPTIVE

We believe gift schemes, trading stamps and coupons of all kinds are detrimental to good merchandising and deceptive to the public.

## FACTORY STORES NOT NECESSARY

This class of stores are distinctly an uncalled for, unwarranted, and un-American encroachment from the business of the Retail Merchants of the country. We believe that if a firm is engaged in the manufacturing, banking, ship-building business, etc., etc., they should pay their employees such salaries as their services are worth and let them buy their supplies from the stores whose functions and business entitle them to this trade, the same as the manufacturer expects to sell his products profitably to his logical and potential customers.

## OBSERVANCE OF CONTRACTS

We believe any retailer giving an order in good faith whether for spot or future delivery should accept the same when tendered for delivery, unless he has, in the meantime, made arrangements with the seller which were mutually satisfactory for a cancellation.

## GUARANTEE AGAINST DECLINE

We see no harm in the guarantee against decline so long as all buyers are given the protection and so long as it radiates from wholesaler to retailer.

## ADVERTISING THE RETAIL PRICE

We find no fault with advertising the retail price if the margin is adequate for all types of stores and when no aspersions are con-

tained in the advertising, providing that the seller who advertises the retail price also protects his products against the trade-demoralizing price-cutter.

#### SALESMEN AND SERVICE MEN

We believe that most wholesalers and manufacturers' representatives come to our stores with a proposition or objective that has mutual advantages. They come at an expense which is part of the cost of distribution. Therefore, we believe all representatives calling at retail stores should be waited upon with promptness, courtesy and consideration, unless by their acts they do not merit this kind of treatment.

#### CREDIT

We believe retail grocers should regard credit as their most valuable asset, and that it should not be abused by expecting any firm to grant unreasonable or habitual extensions, without a sufficiently acceptable excuse based upon reasons that are not leading towards disaster. In granting credit to consumers, we also believe that retail grocers should be governed entirely by the responsibility of the individual customers and not permit disregard of terms which should, in all cases, be clearly agreed upon when the account is opened.

#### DISCOUNTS

We believe cash discounts are a premium that is offered for promptness and retail grocers should not expect to take them when they have not earned the premiums by payment within the period for which they are offered.

#### HONEST ADVERTISING

The retail grocer is urged to be scrupulously exact in his publicity of food information and descriptions; it is likewise important he should cooperate with the Local Better Business Bureaus of the Associated Advertising Clubs of the World, in reporting and helping to stamp out questionable and deceptive practices of all kinds, and

particularly those pertaining to the matter of food and its distribution.

#### THE RETAIL GROCER'S RESPONSIBILITY TO SOCIETY

We believe that the retail grocer occupies a position of great responsibility and of trust upon which the health of our nation largely depends. The manner in which he should regard this responsibility and perform his functions is embodied in the following:

#### A GOOD GROCER'S CREED

I believe that the service which I may render as a good grocer is of vital importance to the life and well-being of my fellow-citizens. In view of this, I consider that my business places upon me a trust which I regard as an honor and a rare privilege; therefore, I will conscientiously safeguard my customers' interests, for I would not betray this trust.

Realizing that I stand as a sentinel at one of the cross-roads which leads to the health of our people, I strive at all times to handle only foods of dependable freshness, reliable quality, full nutriment and unquestioned standards. In order to do this, I must know merchandise thoroughly; therefore, I study the goods which I handle so that I may most intelligently buy and offer for sale only such foods as will protect my customers—by keeping them well, enabling them to work and to be happy.

Not only must I know all about the goods which I sell, but I must also distribute them upon an economical basis. I must be a good business man and operate my store efficiently by eliminating all guess-work and all waste, so that my cost of doing business may not be greater than is necessary to cover the service which I render.

Since a laborer is worthy of his hire, I must price my goods so that I can pay these expenses and make a reasonable profit on my business and on the investment of time, skill, energy and money which it represents; so as to provide for my family and lay aside a fair surplus for that period when adversity may overtake me or when old age makes me less active and less able to meet the rigorous requirements of the grocery business.

I must conduct a sanitary store, which should be just a little better, cleaner and more tidy than the requirements of any law; and I should, by all means, set a good example to my employees, mentally, morally and physically.

I believe in the spirit of and strive to practice the policy of the golden rule—not only with my customers and the people in my employ—but also with my competitor and the firms from whom I buy.

Since the industry in which I am making my living, and to which I am devoting my time and talents, can be no better than it is made by those engaged in it, I must do my full part in helping to elevate the standard of the entire and vastly comprehensive food distributing machinery of our great nation. In order to do this I recognize, that, alone, I can do but little; collectively, however, with my fellow grocers, great things can and will be accomplished. Therefore, I am a member of the Local Retail Grocers' Association in the city or town where I do business; and through this agency I take my place in the business, civic and social affairs of the community which affords me an opportunity for developing my talents and for making a livelihood—and thus I perform my duties of citizenship as a representative of the great industry of which I am proud to be an active part.

But this is not enough; so I see to it that my Local Association is cooperating actively and effectively with the State Organization, which, in turn, must do its full and enthusiastic part in helping to carry out, and get behind, the constructive service which the National Association of Retail Grocers is striving to render.

While this is all very well, I still do not feel that I am really fulfilling my obligation unless I constantly make an intelligent, whole-hearted and sincere effort to carry a message of this work to my neighbor grocer who is not a member, or who says he does not believe in organization. Therefore, I make it my personal business to eventually secure his interest and convince him that he should also support these activities in which I believe; and which I persistently help to make more efficient in every practical manner.

This being my creed, I regard a faithful performance of these self-imposed obligations as my sacred duty to God, my family and my fellow-man.



## BETTER GROCERS' BUREAU

## QUALIFICATIONS FOR MEMBERSHIP

1. I am an American citizen.
2. I pay all my obligations promptly.
3. I conduct a sanitary store.
4. I do not open for business on Sunday.
5. I operate my store as I would like to see the other fellow conduct his.
6. I keep practical records of my business.
7. I will cooperate in furnishing figures for statistical purposes when called upon to do so.
8. I am a member of the Local Association in my city.

## Code of Ethics of the

AMERICAN NATIONAL RETAIL JEWELERS  
ASSOCIATION

(Adopted August 27, 1922)

THE DUTY OF THE JEWELER TO HIS COMMUNITY, HIS FELLOW  
MERCHANTS AND HIS COMPETITOR

1. That just because he has opened a store is no reason why the community owes him a living. Remembering that he went into business voluntarily, he must do his duty by assuming his share of the community's obligations.

2. He must justify his right to live in his community by rendering that community service based on the highest standards of truth and honor in every transaction.

3. He must violate no confidence of a merchant in other lines but mingle with others, exchange ideas and join with them in promoting all things that are for the common good.

4. He should patronize his fellow merchant whenever and wherever possible that the community may prosper and he thereby share in such prosperity.

5. A fair profit based on the cost of doing business, plus a fair return on his investment, is the right of every merchant. Arrive at such profit and having done so, have *one price to all*. Play no favorites. Granting one reduction invites a second request.

6. Make adjustments cheerfully and give the customer the benefit of any doubt which may arise. A satisfied customer inside the store is worth a dozen disgruntled ones on the sidewalk.

7. Never make a contract without reading and fully understanding it, but after having done so, stick to your agreement and deal with your associates in a manner that will command trust and confidence. It is essential that we prove ourselves as honorable as we would have our competitors in all transactions.

8. As unfortunate habits of giving service without charge have grown up with our business, it should be the duty of every jeweler to eliminate this evil by making a charge for all service. Have the courage to ask fair remuneration for any work offered. It is better to be without the work than to do it without profit.

9. Never advise a customer to buy an article you would not buy yourself if you were in his position. Never urge a customer to buy beyond his means. If it means taking advantage of the other fellow, don't do it.

10. When a new competitor enters the field, welcome him and help him to information and assistance that will enable him to overcome the difficulties we had so much trouble in surmounting. It should be our duty and pleasure to assist in every way our less experienced competitors.

11. The young jeweler who starts with small capital and who does most of his own work, should ever remember the honorable nature of his calling and never make the mistake of supposing that he can do work cheaper than his competitor who employs several craftsmen. He should rather contend that because he attends his own work in person, it is better and therefore worth more, however he should assume such a position in a way not detrimental to his larger competitor.

12. When estimates are asked on work done or articles sold by another jeweler, with plain intent to test the fairness of price charged, they should invariably be declined.

13. It is deemed unethical to trail a competitor's salesman or delivery or to try to obtain information as to a competitor's methods or stock by questioning or bribing his employees.

14. To induce a competitor's employees to leave him unless with the employer's consent.

15. To injure directly or indirectly, the business reputation or prospects or business of a fellow jeweler or other merchant or to

make false or disparaging statements or insinuations relative to a competitor's merchandise, prices, business, financial or personal standing. Boosting a competitor or his wares will elevate you in your customer's opinion. If you can't say good, say nothing.

16. To stimulate in one's own merchandise the trade mark, trade name, slogan advertising or appearance of a competitor's ideas or goods.

17. To threaten to withdraw advertising unless a competitor's advertising is excluded or unless discriminatory favors are granted.

18. To claim or exercise a monopoly.

19. To obtain estimates on a competitor's goods through a third party with the intent to undersell.

20. To sell or offer to sell under a competitor's price in order to beat him out of a sale or force him out of business.

21. The customer relies on the expert knowledge of the retail jeweler and it behooves the jeweller, therefore, to thoroughly post himself on quality and values of articles which he offers for sale. After acquiring such knowledge, the jeweler must strictly live up to every guaranty of quality which he gives his customer.

22. Immediately upon receipt of new prices showing an advance in price, the jeweler should mark his goods in conformity. To neglect this and then insinuate to a customer that there must be something wrong with your competitor's prices is decidedly unethical. Likewise in case of reductions in price, merchandise should be immediately marked down. Dealers in the same towns or cities should cooperate in this matter.

23. Refrain from false and misleading advertising. The truth in advertising should be jealously adhered to by every jeweler. Follow the same practice when selling over the counter. Make your spoken word and written word synonymous.

24. Do not give information concerning customer's purchases or use their names in advertising without their consent.

25. Establish a credit at a good bank. Sign one note for money borrowed rather than many notes for goods borrowed. It is safer to owe one man than many.

#### THE JEWELER AND HIS RELATION TO HIS EMPLOYEES

1. A cheerful "Good Morning" to the clerks makes for loyalty, interest and industry and costs nothing. Clerks are human as well as proprietors, let's consider them so.

2. Be quick to reward industry, loyalty and ability and give employees no cause to complain of their treatment at your hands. Be sympathetic with them in trouble, stretch forth a helping hand and give them substantial assistance if necessary.

3. Do not place temptation in their way lest honesty depart and a promising career be ruined.

4. Provide fair working hours, compensation worthy of the individual and working conditions that are pleasant.

5. Foreign workmen who come into our employ and who are not familiar with American ways should be carefully educated in the provisions of this Code.

6. Do not encourage employees by example or advice in what may be termed "shady" transactions or "tricky" salesmanship.

7. Do not take all big sales unto yourself but give worthy employees a chance.

8. Do not criticize an employee or try to belittle him before customers.

#### THE JEWELER AND HIS DUTY TO THE MANUFACTURER, WHOLE-SALER, JOBBER OR IMPORTER

1. Pay bills when due or explain to your creditors your failure to do so.

2. Take cash discounts only in accordance with the terms quoted.

3. Merchandise shipped on regular order should not be returned without permission from the seller. Such permission should not be requested after the lapse of a reasonable period of time and in no case should merchandise be returned freight collect.

4. Accept goods delivered to railroads in good condition and look to the railroads for adjustment for damages. Deductions should not be made from invoice to cover damage for which the shipper is not responsible.

5. Place orders only in good faith and accept goods so purchased. Report shortages promptly.

6. Do not buy minimum amounts of merchandise in order to keep other dealers from getting the same line.

7. Follow out promises of cooperation through advertising and dealers' helps, with performance.

8. Treat the traveling salesman with courtesy. They are entitled to a hearing but at the same time should be impressed with

your firmness that they may not become insistent. Make your appointments as early as possible and keep them, remember the salesman is traveling on schedule. We should condemn the gossiping salesman and refuse him a hearing.

THE MANUFACTURER, WHOLESALER, IMPORTER AND JOBBER AND  
HIS RELATION TO THE RETAIL JEWELER

1. There is some question as to the propriety of the retail jeweler suggesting a Code of Ethics for other branches of the industry and we would not be so presumptuous as to do so. However there are some matters, from the retailer's point of view, in his relation to the Manufacturer, Wholesaler, Importer or Jobber, that are the concern of the Retailer and to that end we have prepared the following suggestions which we hope will meet the views of the other branches of the industry and be given recognition in any Code of Ethics which they may later see fit to promulgate within their own organization. . . .

2. Manufacturers, Wholesalers, Importers, and Jobbers should at all times brand their goods exactly as represented.

3. Should not sell at retail in any instance. Neither should they quote net prices to the consumer or permit their employees to do so. Should not give out goods on memorandum to anyone save legitimate jewelers carrying this class of merchandise in stock. They should not publish net prices in trade publications, leaflets, booklets, catalogs, or circulate through the mails or any common carrier, literature which will convey price information to the consumer other than resale prices which are consistently marked to include a satisfactory net profit.

4. Watch manufacturers should not repair watches for owners at a nominal cost but should return such watches through legitimate dealers located at the home address of the owner with charges in conformity with the American National Retail Jewelers' Association's suggested repair price list.

5. They should not scale quantity discounts to the extent of handicapping the small buyer and thereby induce him to buy beyond his means.

6. Should not advertise price reductions at the beginning of the retail selling season of goods which dealers have bought for that season.



7. Should not substitute merchandise without the consent of the buyer or ship goods in excess of amounts bought, nor place goods on back order without advising customer and obtaining his consent.

8. Should furnish the buyer in all instances, with a copy of his order.

9. Should not sell to other lines of business, merchandise belonging properly to the jewelry trade.

10. Should not overstock an individual merchant nor a community by selling to general stores or other stores, goods similar to those the jeweler has bought in sufficient quantity.

11. Should not extend credit to merchants who have proven themselves dishonest until full confidence has been restored and obligations paid in full.

12. Should discourage bribery as a reprehensible practice.

13. Any Code of Ethics must be predicted upon the basic principles of truth and honesty. Whatsoever things are true, whatsoever things are honest are the things for which jewelers must contend.

14. The honor of the craft should be dear to every jeweler and he should remember that his own character and conduct reflects honor or reproach on the industry as a whole.

#### Code of Ethics of the

#### NATIONAL PAPER BOX MANUFACTURERS ASSOCIATION

(Adopted May, 1922)

We accept as our guiding principle the Golden Rule—"Do unto others as you would that they should do unto you." In subscribing to this principle we are bound by the following ethics:

*Truth*—To adhere strictly to the truth in all our business and personal relations, and never wilfully misstate or misrepresent any case or condition.

*Service*—To assist and serve our association as best we may, and to apply this precept to our activities as individuals.

*Confidence*—To so conduct all our affairs that we shall always merit the confidence of all we meet in our various spheres of activity.

*Justice*—To recognize that there are two sides to every problem, and that common justice demands that we hear and weigh all phases of a subject before passing judgment on a person or thing.

*Morality*—To establish and maintain a standard of business morality of such character that no force, however powerful, can ever impeach our integrity.

*Loyalty*—To be loyal to our association and its members, to those we know as friends, to our families and our homes, and last, though not least, to our country and our flag.

We, the members of the National Paper Box Manufacturers Association, firmly believe that success only can attend any man or body of men who abide by the above in all their thoughts, words and actions.

### Code of Ethics of the

## NATIONAL WHOLESALE MEN'S FURNISHINGS ASSOCIATION

(Adopted June 1, 1923)

### SECTION I—RULES OF CONDUCT GOVERNING THE RELATION OF MEMBERS WITH THEIR EMPLOYEES

1. Members shall not advocate or aid and assist others in any movement which seeks as its object any other than square dealings with their employees.

2. Members shall interest themselves in the personal welfare of their employees and shall encourage and assist them in thrift and self-advancement, shall be sympathetic with them in trouble and give them substantial assistance if necessary.

3. Members shall hire and dismiss employees solely on the basis of ability or disability to perform the work desired, shall pay a fair wage for a fair day's work, shall study the individual and know wherever possible the individual abilities of their employees and justly promote them as opportunity offers. All promotions shall be made solely on the basis of merit.

4. Members shall instruct their employees as to the correct standards of practice in the conduct of the business so that the Code of Ethics of the National Wholesale Men's Furnishings Association be carried into effect by every employee.

SECTION 2—RULES OF CONDUCT GOVERNING THE MEMBER'S RELATIONS WITH THOSE FROM WHOM HE MAKES PURCHASES

1. Members shall extend courtesy to all salesmen or representatives inquiring for business. It is thoroughly good conduct to decline to see salesmen who desire to present subjects of no interest to the member.

2. The time of salesmen shall not be needlessly wasted in having and completing interviews.

3. Truth and honesty shall be observed in all interviews. No misleading statements shall be made to secure lower prices, nor shall prices of competitive firms be shown to each other.

4. It is unethical to cancel an order placed and accepted in good faith if manufactured and delivered in accordance with the terms of sale.

5. The terms of payment governing the purchase and place of free delivery shall be fixed at the time the purchase is made and carried out to the letter. Discounts shall be taken only if payment is made within the discount time limit specified.

6. Arbitrary adjustment or settlement of differences not in accord with written or verbal agreements is unethical.

7. Members shall not seek to obtain redress in adjustment by threat to discontinue business relations.

8. Members shall not correct errors in purchasing by rejection or non-acceptance of goods on invented falsities.

9. Members or their purchasing agents shall not accept any gratuity, commission, allowance or any indirect profit in connection with any purchase.

SECTION 3—RULES OF CONDUCT GOVERNING THE MEMBER'S RELATIONS WITH HIS COMPETITORS

1. Members shall strive to maintain cordial and friendly relations with others in their industry.

2. Members shall practice clean and honorable competition and shall lead, where possible, to establish higher ideals of business morality.

3. Members shall not make false or disparaging statements, either written or oral, or circulate harmful rumors respecting a competitor's product, his selling prices, or his business, financial or

personal standing, nor will members simulate the trademark, trade name, cartons, slogans or advertising matter of his competitors, nor shall he solicit the cancellation of, or accept orders previously placed with competitors, but shall consider an order placed with a competitor as a closed incident.

SECTION 4—RULES OF CONDUCT GOVERNING THE MEMBER'S RELATIONS WITH THE GOVERNMENT

1. It is an improper practice to engage in any movement which is obviously contrary to law or public welfare.

2. Members shall inform themselves on the provisions and decisions of the United States Income Tax Law, so that their annual report will comply with the law, and be found correct in all particulars by Government inspectors.

3. Members shall inform themselves concerning the laws regulating the correct marking of the materials used in their products, and shall cooperate with the proper authority in the enforcement of such existing laws.

SECTION 5—RULES OF CONDUCT GOVERNING THE MEMBER'S RELATIONS WITH HIS CUSTOMERS

1. Members shall take advantage of no man's ignorance and shall see that employees are truthful and straightforward, and that they do not misrepresent or overcharge. Shall treat the keen and confiding buyer alike.

2. Members' salesmen shall be trained to be more than mere order takers. Their salesmen shall offer the customer suitable suggestions, learn his requirements, and then give him the benefit of his experience and advice so that he may buy wisely.

3. Customers shall not be overloaded with goods, nor shall they knowingly be permitted to select goods not suitable for their stores without a diplomatic word of caution from the salesman.

4. There shall be one price to all.

5. Members shall not take unfair advantage of customers by profiteering in seasons of great demand, short supply, or in any other emergencies.

6. Equal service shall be given to customers whether they are large or small purchasers.

7. Misnaming of goods as regards to the materials of which

they are composed, their quality, their method, or place of manufacture or origin is unethical.

8. Any wilful misrepresentation as to market conditions or supply to justify prices charged is unethical.

#### SECTION 6—RULES OF CONDUCT GOVERNING THE MAKING AND EXECUTING OF CONTRACTS

1. Contracts shall be made that all of the parties to the contract are mutually benefited.

2. A contract shall be simple in offer and acceptance, sufficiently formal to be valid, with the consideration concisely expressed and an object unquestionably legal. It should avoid obscure language and the so-called "joker" clauses.

3. The terms of the contract shall be carried out according to the spirit as well as the letter of the agreement.

4. The word-of-mouth contract is as valid as the written contract and must be faithfully carried out.

5. Members shall always uphold the honor and integrity of their industry by faithful performance of all of the provisions of the contracts, both written and verbal, which they make, or which are made by authorized agents in their employ.

6. It is unethical to cover possible oversight or errors in either contracts or specifications by indefinite clauses or clauses which are capable of two interpretations.

#### SECTION 7—RULES OF CONDUCT TO COVER CERTAIN WELL-KNOWN VIOLATIONS OF ETHICAL PRACTICE

1. Members of this Association shall not give commissions, money, or other things of value to the employees of customers for the purpose of influencing their buying powers.

2. Advertising shall not be purchased unless, when critically analyzed from a business standpoint, the medium offered is calculated to bring a return. Advertising for any other reason is unethical.

#### SECTION 8—PROVISIONS RESPECTING THE CODE AND THE OBLIGATION TO ITS OBSERVANCE

1. Members of the National Wholesale Men's Furnishings Association shall at all times seek to elevate the standards of the



furnishings and hat industries by practicing the ethical standards set forth in this code and in inspiring others in the industry to do likewise.

2. Each member who conducts his business so that his own honor will never be besmirched by his own act or omission will aid in maintaining the honor of the entire furnishings and hat industries.

3. The adoption of this Code by the National Wholesale Men's Furnishings Association places an obligation on all its members to sincere and faithful performance of the rules of conduct so set down.

### **Code of Business Ethics of**

#### **E. A. FILENE**

1. A business, in order to have the right to succeed, must be of real service to the community.

2. Real service in business consists in making or selling merchandise of reliable quality for the lowest practically possible price, provided that merchandise is made and sold under just conditions.

### **A SAFETY CODE OF ETHICS**

The United States, as a whole, falls far behind other countries of the world in the prevention of accidents. Deaths from accidental falls, reported in 1925, were 12.8 per 100,000 of population, while in England and Australia the rates were 7 and 6, respectively. Drowning accidents are some 50 per cent more numerous in America than in England, and railroad fatalities five to six times as many. To help in prevention of accidents, the Crompton and Knowles Loom Works, Worcester, Massachusetts, has adopted a "Safety Code of Ethics" with the fundamental object of the creation in each person connected with the plant of a feeling of individual responsibility. The following four codes have been developed, for the guidance of (1) employment department, (2) employees, (3) foremen, and (4) superintendents:

## I. FOR THE EMPLOYMENT DEPARTMENT

The following code has been prepared for your guidance in hiring new employees and must be followed in every case.

1. You are to find out: How many times the prospect has lost time due to accidents in the last two years, and his accident record with previous employers.

2. You are to tell the prospect: That we want only safe workmen, as we have found that a man who is not careful of his own hands, head, feet, eyes, etc., is not careful with his work. We demand a high quality of workmanship from our employees, so we can only hire men who have the proper regard for safety.

3. You are not to hire any man who does not appear to have a "safety conscience."

4. You must explain to each man hired any hazardous conditions or dangers which are present on the job he is to do.

5. You must visit the new employee within two weeks and again within six weeks, to find out if he is thoroughly familiar with safety rules and the special hazards of his job, and has the proper attitude towards safety.

The loom works must have employees who have a desire to work safely.

## II. FOR THE EMPLOYEES

1. Only those who have a "safety conscience" and try to work in a safe way, obey safety instructions, and keep from getting injured are acceptable as employees of this company.

2. Mechanical safeguards and safety equipment to protect you from injury have been provided. The desire to work safely cannot be given to you. You must have or develop that desire yourself and use it to see that you obey the instructions given you by your foreman, and keep from getting hurt.

3. If you do not have this "safety conscience" and continue to get hurt, it will be necessary to remove you from the hazards present in the loom works by discharging you. This will be done to protect you from further injury.

4. Your foreman has been instructed to take disciplinary action in every case where he finds safety instructions being disobeyed by our employees.

5. All employees must be safe workmen and believe in safety.

## III. FOR FOREMEN

1. The foreman is the company's best safety man. You are right in the ranks with the men and you are in position to carry out the safety policies of the company.

2. When a man goes to work in your department, you should feel that his wife and family are placing their trust in you as a foreman and that you will send him home safe and uninjured when the day's work is done.

3. This is a sacred trust which every foreman holds, and it involves an unwritten pledge which you are in obligation bound to fill.

In order to meet the above responsibilities it is necessary:

1. That you understand all the machinery and equipment in your department.

2. That you understand every danger point in your department.

3. That every dangerous condition receives immediate attention as soon as it develops.

4. That every man be warned of the dangers connected with his job.

5. That each man uses proper care in doing his work.

6. That each new man be carefully instructed before he starts to work and every man when he starts a new job, or one with which he has previously been unfamiliar.

7. That every man on your job is familiar with the safety rules in General Instructions.

8. That the instructing of employees in the hazards and safety rules must be done by you or your assistant and must, in no instance, be left for a clerk to do.

You are directed to take disciplinary action when your employees disobey the safety rules or persist in working in an unsafe manner; you are directed to the post the man's name, penalty inflicted, and the reason for this action in a conspicuous place where all workers in your department may see it.

The management is holding you responsible for the safety of the men in your department. If fair investigation shows that you have been lax in seeing that the safety rules are obeyed, and that you have not instructed your men properly about these rules and any special hazards in your department, disciplinary action will be taken by the superintendent to correct this condition.

## IV. FOR SUPERINTENDENTS

1. The responsibility for making the loom works a safe place to work is placed on the superintendent of the shop and his assistants and upon the superintendent of the foundry.

2. They must be sure that the foremen and their assistants are instructing the men in their departments properly about the importance of working safely and obeying the safety rules.

3. They must be sure that the foremen are taking disciplinary action in all cases where employees disobey instructions and work in an unsafe manner.

4. They must take disciplinary action against any foreman who fails to give the proper attention to safety and to seeing that his employees work in a safe manner.

5. Accidents must be prevented and the foremen must be made to give the safety of their workmen the attention it deserves.

## THE UNITED STATES ARBITRATION ACT

As approved by President Coolidge on February 12, 1925, the new United States Arbitration Act (Public—No. 401—68th Congress), effective January 1, 1926, is as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That "maritime transactions," as herein defined, means charter parties, bills of lading of water carriers, agreements relating to wharfage, supplies furnished vessels or repairs to vessels, collisions, or any other matters in foreign commerce which, if the subject of controversy, would be embraced within admiralty jurisdiction; "commerce," as herein defined, means commerce among the several States or with foreign nations, or in any Territory of the United States or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation, but nothing herein contained shall apply to contracts of employment of seamen, railroad employees, or any other class of workers engaged in foreign or interstate commerce.

SEC. 2. That a written provision in any maritime transaction or a contract evidencing a transaction involving commerce to settle

by arbitration a controversy thereafter arising out of such contract or transaction, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of such a contract, transaction, or refusal, shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.

SEC. 3. That if any suit or proceeding be brought in any of the courts of the United States upon any issue referable to arbitration, under an agreement in writing for such arbitration, the court in which such suit is pending, upon being satisfied that the issue involved in such suit or proceeding is referable to arbitration under such an agreement, shall on application of one of the parties stay the trial of the action until such arbitration has been had in accordance with the terms of the agreement, providing the applicant for the stay is not in default in proceeding with such arbitration.

SEC. 4. That a party aggrieved by the alleged failure, neglect, or refusal of another to arbitrate under a written agreement for arbitration may petition any court of the United States which, save for such agreement, would have jurisdiction under the judicial code at law, in equity, or in admiralty of the subject matter of a suit arising out of the controversy between the parties, for an order directing that such arbitration proceed in the manner provided for in such agreement. Five days' notice in writing of such application shall be served upon the party in default. Service thereof shall be made in the manner provided by law for the service of summons in the jurisdiction in which the proceeding is brought. The court shall hear the parties, and upon being satisfied that the making of the agreement for arbitration or the failure to comply therewith is not in issue, the court shall make an order directing the parties to proceed to arbitration in accordance with the terms of the agreement: *Provided*, That the hearing and proceedings under such agreement shall be within the district in which the petition for an order directing such arbitration is filed. If the making of the arbitration agreement or the failure, neglect, or refusal to perform the same be in issue, the court shall proceed summarily to the trial thereof. If no jury trial be demanded by the party alleged to be in default, or if the matter in dispute is within admiralty jurisdiction, the court shall hear and determine such issue. Where such an issue is raised, the party alleged to be in



default may, except in cases of admiralty, on or before the return day of the notice of application, demand a jury trial of such issue, and upon such demand the court shall make an order referring the issue or issues to a jury in the manner provided by law for referring to a jury issues in an equity action, or may specially call a jury for that purpose. If the jury find that no agreement in writing for arbitration was made or that there is no default in proceeding thereunder, the proceeding shall be dismissed. If the jury find that an agreement for arbitration was made in writing and that there is a default in proceeding thereunder, the court shall make an order summarily directing the parties to proceed with the arbitration in accordance with the terms thereof.

SEC. 5. That if in the agreement provision be made for a method of naming or appointing an arbitrator or arbitrators or an umpire, such method shall be followed; but if no method be provided therein, or if a method be provided and any party thereto shall fail to avail himself of such method, or if for any other reason there shall be a lapse in the naming of an arbitrator or arbitrators or umpire, or in filling a vacancy, then upon the application of either party to the controversy the court shall designate and appoint an arbitrator or arbitrators or umpire, as the case may require, who shall act under the said agreement with the same force and effect as if he or they had been specifically named therein; and unless otherwise provided in the agreement the arbitration shall be by a single arbitrator.

SEC. 6. That any application to the court hereunder shall be made and heard in the manner provided by law for the making and hearing of motions, except as otherwise herein expressly provided.

SEC. 7. That the arbitrators selected either as prescribed in this Act or otherwise, or a majority of them, may summon in writing any person to attend before them or any of them as a witness and in a proper case to bring with him or them any book, record, document, or paper which may be deemed material as evidence in the case. The fees for such attendance shall be the same as the fees of witnesses before masters of the United States court. Said summons shall issue in the name of the arbitrator or arbitrators, or a majority of them, and shall be signed by the arbitrators, or a majority of them, and shall be directed to the said person and shall be served in the same manner as subpoenas to appear and testify before the court; if any person or persons so summoned to testify shall refuse

or neglect to obey said summons, upon petition the United States court in and for the district in which such arbitrators, or a majority of them, are sitting may compel the attendance of such person or persons before said arbitrator or arbitrators, or punish said person or persons for contempt in the same manner now provided for securing the attendance of witnesses or their punishment for neglect or refusal to attend in the courts of the United States.

SEC. 8. That if the basis of jurisdiction be a cause of action otherwise justiciable in admiralty, then, notwithstanding anything herein to the contrary, the party claiming to be aggrieved may begin his proceeding hereunder by libel and seizure of the vessel or other property of the other party according to the usual course of admiralty proceedings, and the court shall then have jurisdiction to direct the parties to proceed with the arbitration and shall retain jurisdiction to enter its decree upon the award.

SEC. 9. If the parties in their agreement have agreed that a judgment of the court shall be entered upon the award made pursuant to the arbitration, and shall specify the court, then at any time within one year after the award is made any party to the arbitration may apply to the court so specified for an order confirming the award, and thereupon the court must grant such an order unless the award is vacated, modified, or corrected as prescribed in the next two sections. If no court is specified in the agreement of the parties, then such application may be made to the United States court in and for the district within which such award was made. Notice of the application shall be served upon the adverse party, and thereupon the court shall have jurisdiction of such party as though he had appeared generally in the proceeding. If the adverse party is a resident of the district within which the award was made, such service shall be made upon the adverse party or his attorney as prescribed by law for service of notice of motion in an action in the same court. If the adverse party shall be a non-resident, then the notice of the application shall be served by the marshal of any district within which the adverse party may be found in like manner as other process of the court.

SEC. 10. That in either of the following cases the United States court in and for the district wherein the award was made may make an order vacating the award upon the application of any party to the arbitration—

(a) Where the award was procured by corruption, fraud, or undue means.

(b) Where there was evident partiality or corruption in the arbitrators, or either of them.

(c) Where the arbitrators were guilty of misconduct in refusing to postpone the hearing, upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; or of any other misbehavior by which the rights of any party have been prejudiced.

(d) Where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made.

(e) Where an award is vacated and the time within which the agreement required the award to be made has not expired the court may, in its discretion, direct a rehearing by the arbitrators.

SEC. 11. That in either of the following cases the United States court in and for the district wherein the award was made may make an order modifying or correcting the award upon the application of any party to the arbitration—

(a) Where there was an evident material miscalculation of figures or an evident material mistake in the description of any person, thing, or property referred to in the award.

(b) Where the arbitrators have awarded upon a matter not submitted to them unless it is a matter not affecting the merits of the decision upon the matters submitted.

(c) Where the award is imperfect in matter of form not affecting the merits of the controversy.

The order may modify and correct the award, so as to effect the intent thereof and promote justice between the parties.

SEC. 12. That notice of a motion to vacate, modify, or correct an award must be served upon the adverse party or his attorney within three months after the award is filed or delivered. If the adverse party is a resident of the district within which the award was made, such service shall be made upon the adverse party or his attorney as prescribed by law for service of notice of motion in an action in the same court. If the adverse party shall be a non-resident then the notice of the application shall be served by the marshal of any district within which the adverse party may be found in like manner as other process of the court. For the pur-

poses of the motion any judge who might make an order to stay the proceedings in an action brought in the same court may make an order, to be served with the notice of motion, staying the proceedings of the adverse party to enforce the award.

SEC. 13. That the party moving for an order confirming, modifying, or correcting an award shall, at the time such order is filed with the clerk for the entry of judgment thereon, also file the following papers with the clerk:

(a) The agreement; the selection or appointment, if any, of an additional arbitrator or umpire; and each written extension of the time, if any, within which to make the award.

(b) The award.

(c) Each notice, affidavit, or other paper used upon an application to confirm, modify, or correct the award, and a copy of each order of the court upon such an application.

The judgment shall be docketed as if it was rendered in an action.

The judgment so entered shall have the same force and effect, in all respects, as, and be subject to all the provisions of law relating to, a judgment in an action; and it may be enforced as if it had been rendered in an action in the court in which it is entered.

SEC. 14. That this Act may be referred to as "The United States Arbitration Act."

SEC. 15. That all Acts and parts of Acts inconsistent with this Act are hereby repealed, and this Act shall take effect on and after the 1st day of January next after its enactment, but shall not apply to contracts made prior to the taking effect of this Act.

## CHAPTER XVI

### CASES AND PROBLEMS

The cases listed in this chapter are intended primarily for discussion of the ethical principles involved. To avoid prejudice they are given without comment, but so far as possible all pertinent facts are stated.

**No. 1.** Smith and Company, yeast manufacturers, in order to extend their business with bakers, distribute samples of their product to prospective customers. In one district the manager (a) systematically gives such prospective customers quantities largely in excess of ordinary needs for sample purposes; (b) systematically gives to employees of bakeries Christmas and holiday presents of cigars, silverware, theatre tickets and money; (c) regularly makes contributions of money to bakers' associations; (d) induces bakers to turn over to his agents samples of yeast manufactured by competitors.

To what extent are these practices in accord with ethical principles?

**No. 2.** Home Building Company, selling lumber, building material, and house plans, causes its employees to send requests on a large scale to mail order competitors for specifications, statements, price lists and special information intended only for bona fide customers.

Is this practice subject to criticism?

**No. 3.** The Summer Oil Company shipped large quantities of oil to its customers and to customers of competitors without orders, and to induce consignees to accept goods



offered unusual credit terms. Goods were taken back if consignee refused to accept.

Does this violate any ethical principle?

**No. 4.** A large manufacturer of fertilizer found that a small competing company was securing considerable local business by buying raw material of farmers and so securing their good will. The large concern at once sent out buyers to purchase the raw material at a price much above that warranted by trade conditions, and so high as to be prohibitive to small competitors in that area. The smaller company was forced out of business.

Discuss from (a) economic, (b) ethical, point of view.

**No. 5.** "Mocha and Java" is the trade name of a high grade coffee, presumably imported from the East Indies. A coffee importer sells a mixture of Santos and Columbian coffees—grades costing much less and usually considered less desirable—under the name "M. and J. Coffee." The price asked is less than that of Mocha and Java, but considerably above that for Santos and Columbian.

Is this practice legal? Is it ethical?

**No. 6.** An advertiser offered "A genuine steel engraving of George Washington, on high quality paper, suitable for framing" for twenty-five cents. He sent buyers a *one-cent stamp*, affixed to a small sheet of bond paper.

In what way, if in any, can this be condemned?

**No. 7.** A bank in Iowa, having made excessive loans to one of its stockholders who was unable to meet his notes, was in danger of failure. The cashier of the bank, by making false entries in the books, prevented public knowledge of the conditions and allowed the stockholder time to recover. During that time the bank's affairs were in a critical condition but the stockholder eventually paid in full and the bank was able to continue in business.

Was the action of the cashier justifiable?

**No. 8.** The Express Shoe Company handles high grade ladies' shoes, through dealers to whom it gives exclusive contracts for their territory. Finding that one dealer could not reach all possible customers, they have adopted the policy of putting out the same shoes, at the same price and similarly advertised, under another brand and giving another dealer exclusive agency for that brand.

Discuss from ethical standpoint.

**No. 9.** Jimmie Wiseman, a salesman representing Brown Felt Company, hat manufacturers, in order to get business, has been giving dealers a special discount paid from his own commissions. He leaves the employ of the Brown Felt Company after an extensive trip during which he has taken many orders with provision for this special discount. When he fails to pay dealers the amounts promised, dealers demand the additional discount from the Brown Felt Company.

Should the company allow these discounts and so violate its one-price policy?

**No. 10.** A laundry company in St. Louis began an advertising campaign by having put on bill-boards throughout the city the one word "stopurkiken." Before the relation of this word to the laundry company had been published, an envelope manufacturer issued cards bearing the same word with announcements of his goods. The laundry company had no legal redress as the word was neither copyrighted nor registered.

Was there violation of any ethical principle?

**No. 11.** In one of Peter Kyne's Cappy Ricks stories, Mr. X, a passenger on a train tells a fellow passenger, Mr. S, of his plan to charter a ship which owners have found

unprofitable and would undoubtedly charter at a very low rate. Mr. X must have just that ship to complete a highly profitable business transaction; no other is obtainable. Mr. S wires ahead, secures an option on this ship at a low rate, and recharters at a large advance, to X.

Was his action ethically objectionable?

**No. 12.** Harris, credit manager of Acme Exporting Company, devised a special form of report which secured unusually complete information regarding customers. Leaving the Acme Company for a similar position with the Overseas Corporation, he took with him carbon copies of all these reports and used the information for the benefit of the Overseas Company.

Could his use of these reports be justified?

Would the situation be different if——

- (a) Harris had been unjustly discharged by the Acme Company? or if
- (b) Harris were establishing a new company of his own?

**No. 13.** The manufacturers of Coco Cola allege that the manufacturer of a similar drink sold under the name "Kel Kola" was using unfair methods of competition in that:

- (a) The use of the name "Kel Kola" was *per se* unfair and intended to deceive; and
- (b) It had published advertisements containing a statement that the Supreme Court of the United States had decided that Coco Cola was adulterated and misbranded.

In considering this case it should be noted: That Cola or Kola is a descriptive word, in common use, and cannot legally be appropriated by any one manufacturer. Cola beverages

have been in use under that name, with or without other description, for many years.

That while the Coco Cola company had been required to make changes in their labels as the result of court action, the statement in the Kel Kola advertisements was erroneous and clearly misleading.

(a) Discuss the ethics of using the name "Kel Kola."

(b) What ethical questions are involved in the advertising charge?

**No. 14.** John Carter, a popular salesman in a retail clothing store transfers to a competing store.

(a) Is he justified in publishing an advertisement as follows?

"John Carter, for ten years with Lee and Perrin, announces that he is now with Macy and Smith, where he is prepared to give his former patrons the best of service."

(b) If Carter is going into business for himself, is he justified in making an announcement of this sort?

**No. 15.** William H. Baker manufactured and put on the market various forms of chocolate, sold at a price lower than that of similar products made by Walter Baker and Company, an older establishment with a national reputation. Packages were marked "Baker's Chocolate," but were not otherwise similar in appearance or label to the Walter Baker packages.

Was the use of the name "Baker's Chocolate" ethically justifiable?

**No. 16.** A retail grocer carried in stock the products of the chocolate companies referred to in Problem No. 15, and sold both at the same price although the William H. Baker goods cost him less. When a customer called for "Baker's

Chocolate” salesmen were instructed to ask “Which do you want, W. H. or Walter Baker?” Nine out of ten would ask for the best, and would then be given W. H. Baker’s goods.

Was this fair

(a) to Walter Baker and Company?

(b) to customers?

**No. 17.** The Silverware Advertising Corporation operates a premium business. The company sells to retail dealers advertising cards at three dollars per thousand, and agrees, in its contract, to redeem these advertising cards according to a list on the back of each card with William Rogers and Son AA Silverware guaranteed for twenty-five years.

The retailer agrees to distribute the cards when he makes sales, the customer to get a card with each purchase of fifty cents or more.

It is claimed that when the coupons are redeemed the quality of the silverware is very poor. There are several concerns manufacturing silverware under the name of Rogers. The concern evidently has figured out that many coupons will never be presented for redemption.

(a) What, if any, criticism?

(b) In the nature of the case, could a plan of this sort be ethically unobjectionable?

**No. 18.** People who attended a food exhibit in Boston were invited to register at the booth of a land development firm. Later they were informed that as a result of signing cards at the exhibit they were awarded free lots of land in a suburban town, and that the lots would be transferred to them by deed upon payment of only forty-five dollars, to cover legal costs of transfer. On payment they received deeds to small unimproved lots worth at current prices less than forty-five dollars, and were urged to buy adjacent lots at prices ranging from two hundred to five hundred dollars.



The company advertised the sale of several hundred lots, on the basis of the registration scheme.

How might such a plan be modified to make it ethically acceptable?

**No. 19.** The Nile Art Company advertises for women to work at home, painting photographs furnished for the purpose; the company agrees to buy the finished work at high prices. For material and photographs there is a charge of seven dollars seventy-five cents (at least three times a fair price for the goods). When work is returned the company rejects all or nearly all the product on the ground that it is not well done—which usually is true. It accepts and pays its announced price for an occasional photograph.

(a) Is the scheme legal?

(b) Is it ethical?

**No. 20.** The Textile Mills Company of Kansas City, has been advertising that it will sell all of its four and five-yard remnants at sixty-six cents a yard, representing the price to be below wholesale and guaranteeing to refund money to dissatisfied purchasers. Among the materials advertised were pongee silks, French serges, etc. The "varied assortment" delivered in response to an order contained one piece of pongee silk and three pieces of low-grade material.

This company is neither a textile mill nor a manufacturer, but a concern which cut up bolts of dress goods to sell direct by mail to the public. In addition to the charge for the merchandise, it cost the buyer one dollar extra for postage to receive and return a bundle although this fact was not mentioned.

(a) Is there reason to object to the name of the concern?

(b) On what other grounds is this to be criticized?

**No. 21.** White salmon, although as nutritious as the red variety, is not as readily salable, and is usually sold at a lower

price. A canning company sells a quantity of this white fish, colored with aniline dye, said to be harmless and tasteless, at the price of red salmon.

What, if any, objection can be made to this practice?

**No. 22.** In an eastern city building contractors have a secret organization. When an architect asks for bids the contractors agree among themselves which one of their number shall get the award and fix the amount of his bid at a figure high enough to assure a large profit. The others present bids just enough higher to make it appear that they are competing. In this way the contractors are able to divide the business proportionately among themselves and to avoid loss through underbidding.

Comment on the ethical points involved.

**No. 23.** A cigar manufacturer in Richmond, Virginia, names his product "Van Tampa"; manufacturers in Tampa, Florida, complain that this is an attempt to deceive and to take advantage of the higher reputation of Tampa cigars.

Is their complaint well founded?

**No. 24.** The Primo Pen Company, manufacturers of fountain pens, puts out pens priced on the label at fictitious figures, far above cost, thus making possible apparent great reductions. A retailer handling these pens advertises "Five dollar pens at \$1.25." At \$1.25 the pen is fair value.

Can the transaction be defended?

**No. 25.** A, who has a stock of eggs fully insured, has a fire. B, the adjuster for the insurance company finds that a part of the eggs have not been destroyed but are covered with a chemical used to extinguish the fire. B pays A for a total loss and takes the eggs not destroyed to a warehouse for further investigation. The eggs have not been harmed by the chemical (determined by a laboratory test) and after

being washed and made presentable are put on the market as undamaged goods and sold at the retail price, marked before the fire. This is an attempt to recover salvage for the insurance company which paid the loss.

Is this practice open to criticism on ethical grounds?

**No. 26.** The P.N.R. company manufactures several widely different products—felt hats, brushes of different kinds, dyes and perfumes. After a considerable period of prosperity the brush business falls off, largely because of the competition of a new concern using improved machinery, protected by patents. After various attempts to keep the brush-shops busy, the company decides to cut expenses by one of two plans: either

- (a) To close brush-shops and discharge some three hundred employees; or
- (b) To make a horizontal wage reduction affecting employees in all departments, some eighteen hundred in number.

From an ethical standpoint, which plan is preferable? Can you suggest any other, and better, plan?

**No. 27.** Black, purchasing agent for the Blue Bowl Bakery Corporation, is offered a commission and turns over half of the amount received to his own company, thereby reducing their coal bill by three per cent.

Is this an ethical act—

- (a) If done secretly?
- (b) If done with the consent of the Blue Bowl officers?

**No. 28.** T. L. Smith Company, retailers, ordered a season's stock of cloaks from a New York jobber at normal market prices: before the goods were shipped, the Smith Company finding an opportunity to buy similar goods from another concern at a lower price, canceled their first order

and bought at the lower figure. The jobber claimed to have held the stock for Smith and so to have lost all chance to sell: Smith claimed that the jobber had not given him a fair price.

(a) Could an order be canceled without violation of ethical principles?

(a) Would the jobber be justified in selling the refused goods to Smith's competitor, at a figure far below current prices?

**No. 29.** It is a policy of the Star Grocery Chain Stores to offer one or two staple articles as leaders at a very low figure, thus attracting customers and giving the impression that all their prices are lower than those of competitors, although, except for these leaders, their prices are not below the market.

Is this practice ethically justifiable?

**No. 30.** A student submits the following inquiry:

"In many business organizations employees are asked to keep secret the amount of their salary or wages. This causes a great deal of dissatisfaction among employees; some pretend that they are making more than others and so cause a feeling of unrest. The employer thinks that secrecy makes it easier to deal with individual employees.

"Is not this fundamentally wrong? Why not have a wage schedule applying to everyone and known to all? Why not advance pay according to a fixed scale, and so make it unnecessary for the employee to ask for a raise before he can hope to get it?"

**No. 31.** Harlan and Bigelow, an old and high-grade firm, used a slogan "Jewelers for Seventy Years," which was true. After the death of both partners, the business was carried on by a comparatively young man who discharged many of the old employees. Was his action in retaining the old firm name and slogan ethically justifiable?

**No. 32.** A salesman presents the following:

"The company for which I work manufactures only high-grade tags and similar goods. I call on a man needing tags or labels and quote him a price, say four dollars a thousand. He replies that he can buy a tag from another house for two dollars a thousand. My answer is to point out the superior quality of my goods; but he actually has no use for tags of better quality than he is using.

"Should I attempt to induce him to buy the higher-priced article, which I know he does not need?"

**No. 33.** A candy manufacturer selling candy in small packages uses an "extension box"—a box with a piece of card board under the outer surface extending over the edges nearly half an inch, thus increasing its apparent size and capacity, although the contents is gauged by weight.

Can any criticism be directed against this practice?

**No. 34.** "I am engaged in the office of a large life insurance company where policy holders are interviewed daily.

"It is quite common for them to ask for advice pertaining to their interests in the policy contract in event of their getting into difficulties. For instance, a man would inform us that he and his wife have separated and he does not want her to receive any part of the proceeds, and to cut her off entirely. It is a question in my mind as to just what course to follow, not knowing the circumstances concerning the individual case in question. Do we owe this service to the policy holders?

"Again we are asked how one can protect a policy from being attached. Are we to advise this man as to just what procedure to follow? By so doing we may deprive creditors of assets which rightfully belong to them because insurance is considered as savings and investment. On the other hand do we owe the service to the policy holder?"



**No. 35.** The Barker Company, dealers in men's clothing, placed orders for fall goods early in June; a little later the market fell off and the same goods could be bought about twenty per cent lower than the June prices. The Barker Company asked the manufacturer to allow them a discount of twenty per cent, but this was refused. Thereupon the company canceled the entire order and bought similar goods at the new low price from another source.

On ethical grounds, should the manufacturer have allowed the discount asked for?

Under the circumstances was the Barker Company right in canceling the order?

**No. 36.** The salesmanager of the A.B.C. Corporation was offered a similar position by the D.E.F. Company, a rival concern. He accepted and took with him many of the best salesmen who had been employed by the A.B.C. Corporation.

(a) Was his act ethical?

(b) Should the D.E.F. Company have permitted the transfer of salesmen?

**No. 37.** In the case quoted in No. 36, the salesmanager also took records of costs of manufacturing and selling the A.B.C. goods, so that the D.E.F. Company could compare the figures with their costs. The records had been made up for his special use and had been kept in his office, but were used by other executives of the corporation.

Was he right in his action?

**No. 38.** To secure the business of the X.L. Company, shoe manufacturers, the Bonbright Company offered to cut shoe trimmings at the price the X.L. Company had been paying a competitor handling lower grade materials. The offer was accepted and the Bonbright Company had stocked up with materials for several months' business, when the

X.L. Company withdrew their acceptance to take a new offer at a lower rate from the competing concern.

(a) Was the offer of the Bonbright Company to meet the lower price ethically correct?

(b) Was the X.L. Company justified in withdrawing its agreement?

**No. 39.** Burnham, a coal dealer, receives a cargo of poor quality coal; is it right for him to sell it as of first quality, and to charge a corresponding price for it?

Burnham claims that it is right, because he had to pay the price of first-class coal: and because coal is not a manufactured product but a crop, which man has to accept as he finds it in the soil, having no control over its quality.

He further claims that if a dealer admitted that he sold at any time an inferior grade of coal, his customers would assume that he usually handled coal of that quality, and that this would be disastrous to any retailer.

**No. 40.** Picture frames are classed as pressed, composition, or hand carved. A pressed frame is made by the pressure of heated dies upon the wood: a composition frame is made of glue or plaster of Paris moulded in a form. The hand-carved frame, as the name implies, is carved by an expert workman with a knife or chisel, and is much more expensive than the pressed or the composition frames.

To meet the competition of a competitor who is selling pressed frames as "carved," a manufacturer has devised a method of carving by holding the wood against a revolving knife, making it possible to produce a frame in one quarter the time required for usual hand work, but lacking the individual touch.

(a) Is he justified in selling these frames as "hand-carved"?

(b) If not, in what way should he attempt to meet the unfair competition?

**No. 41.** A deputy commissioner in the Internal Revenue service, checking over the payments of a large corporation, finds that through an error of his predecessor, the corporation has been overtaxed the preceding year. If the error is revealed the reputation of the service will suffer and the deputy who made the error may be penalized. The corporation had made no complaint. Should the deputy point out the error? or should he attempt to counterbalance it by so adjusting his current figures as to absorb the surplus? or should he make his report without reference to the error?

**No. 42.** John Simmons, looking for a job, goes to an employment agency: while waiting for attention, he overhears a telephone call, and without registering he goes at once to the concern and applies for the place, claiming to have heard of it from a friend. He gets the job.

(a) Was his conduct right?

(b) Does he owe a fee to the Employment Agency?

**No. 43.** The Boreas Milling Company sells common corn meal, packed in two-pound cartons labelled "Mazatone," as a breakfast cereal. The meal, which is worth about two cents a pound in bulk, in this guise is sold for five cents a pound.

Comment on the ethical aspects of the business.

**No. 44.** The Donnelly Tailoring Company organizes "suit clubs" in which membership costs one dollar a week. As soon as fifty members are secured payments begin; one suit is delivered each week to a member chosen by lot whose payments thereupon cease. Thus one member secures a suit for one dollar while one has to pay fifty dollars. The aver-

age is twenty-five and the normal value of the suit is approximately twenty dollars.

Is this scheme objectionable?

**No. 45.** In a popular moving picture play a manufacturer of beauty creams induces the winner of a beauty contest to ascribe her success to his creams, which, of course, she has never actually used. As a result the demand for his product is enormously increased. Such misrepresentation being universally condemned, is it right to present it in a play with apparent approval and prosperous outcome?

**No. 46.** I own ten shares of stock of the X.Y.Z. Publishing Company, a corporation controlled, as are most corporations, by the owners of a majority of its stock. The company publishes books which I consider improper, and the controlling management disregards my protests. Shall I accept dividends resulting from this business? Should I sell the stock and so relieve my conscience, transferring the problem to another?

**No. 47.** An enterprising cigar maker decides to carry on business in the city of Havana, Illinois.

May he properly advertise his product as:

- (a) Genuine Havana cigars?
- (b) Cigars manufactured in Havana?
- (c) Cigars made of Havana tobacco?

**No. 48.** The trade-name for dyed muskrat fur is "Alaska seal."

(a) Is a dealer justified in advertising coats of this fur as "Alaska seal coats"?

(b) How can he word his descriptions to avoid misrepresentation and at the same time to secure the benefit of the accepted trade-name?

**No. 49.** Bragdon, correspondence manager of a mirror manufacturing company has composed and used for the company a number of unusually effective letters. Collins, a chair manufacturer offers him one hundred dollars for copies of all these letters, to be used in his business.

(a) Has Bragdon a right to sell the letters?

(b) If not, might he write others and sell them to Collins as the letters which had been successfully used?

**No. 50.** The Beacon Correspondence School offers a course of study for \$30. To inquirers who do not enroll on first offer, a letter is sent offering the course, with a set of "slightly damaged" textbooks, for \$20. As a matter of fact, the textbooks are taken from regular stock, at whatever price sold. The course is fairly priced at \$20, or even at \$30.

(a) Is this a justifiable "trick of the trade"?

(b) Could any scheme for reducing the first price be approved?





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